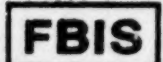


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31 DECEMBER 1985

# West Europe Report



FOREIGN BROADCAST INFORMATION SERVICE

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31 December 1985

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## WALDHEIM ON PRESIDENTIAL CAMPAIGN, VIEWS

Vienna PROFIL in German 11 Nov 85 pp 27-30

[Interview with OeVP [Austrian People's Party] Presidential Candidate Kurt Waldheim by Hubertus Czernin and Josef Votzi: "'I Don't Have Any Weaknesses'"]

[Text] [PROFIL] Dr Waldheim, when you were presented as presidential candidate in the Musikverein [Vienna concert hall] last Monday, weren't you sorry that Federal Chancellor Sinowatz and Minister for the Environment Steyrer were not sitting next to the OeVP politicians to choose you jointly as presidential candidate?

[Waldheim] I certainly would have been pleased to become a joint candidate, but that had been decided differently a long time before.

[PROFIL] You did always like the idea of being nominated by both parties.

[Waldheim] That's right. I would have enjoyed that very much, for as you know I don't belong to any political party. That nothing has come of it is not my fault.

[PROFIL] Whose then?

[Waldheim] As you know, the SPÖ [Austrian Socialist Party] decided to nominate its own candidate. I know that a joint candidacy was discussed quite vaguely...

[PROFIL] Did you personally talk with Federal Chancellor Sinowatz about it?

[Waldheim] Yes. I told him at the time that I would be pleased if it came about. He told me that his party had not yet reached a decision concerning a candidacy. But then shortly thereafter, the OeVP decided to support my independent candidacy.

[PROFIL] You were hurt by this early hasty OeVP decision this spring, weren't you?

[Waldheim] It didn't hurt me, but it certainly was not along the line of what I had intended originally and what had been discussed at one time--

namely, that no decision on the candidature would be made before fall. I also made statements to that effect when I talked with the chancellor in late February.

[PROFIL] You became a football for internal confrontations. There were some who were in favor of kicking OeVP Chairman Alois Mock upstairs to become Federal president.

[Waldheim] I read that only in the press. I really cannot tell what went on there.

[PROFIL] But you were annoyed about the early date, SALZBURGER NACHRICHTEN wrote.

[Waldheim] I was not annoyed, but I would have preferred to have been chosen as a candidate later, if possible in the fall. But this then ceased to be within my power.

[PROFIL] Dr Mock, it happened, had to prevent his being kicked upstairs to that post.

[Waldheim] I don't think that was the point in question.

[PROFIL] Now you are the official OeVP candidate. Don't you feel you are cart horse for the People's Party? In all the polls, the OeVP is not doing very well. You are in a very good position. Your victory in the presidential elections would give a great lift to the OeVP.

[Waldheim] I definitely do not regard myself as a cart horse of the OeVP. Let me point out that Mock himself has said that no vote cast for me would illegitimately be claimed as a vote for the OeVP.

[PROFIL] But surely this is nothing but political rhetoric. What is actually at stake is that for the first time in quite some time the OeVP is smelling an opportunity to score a national victory.

[Waldheim] I do not speak for the OeVP. What the OeVP has in mind is its business. I have stated repeatedly that I consider myself a nonparty candidate.

[PROFIL] That of course is a nice election gag. In the final analysis, you are and remain the OeVP candidate. You are an "independent candidate" depending on the election campaign apparatus and the money of the OeVP.

[Waldheim] That is not at all correct. I have my own election campaign office. This makes it clear that the whole thing is not managed by the OeVP alone. We work there on an independent basis.

[PROFIL] And who is funding the election campaign besides the OeVP?

[Waldheim] Look, as far as I know, the political parties are supported by tax moneys and official contributions. In my opinion, it is not proper now

to single out the OeVP and to do as if the other side was largely financed by other than government funds. In the case of both parties, there are still private contributions, as happens to be customary in politics. In other words, the election campaign is financed predominantly with funds received by the parties from the government.

[PROFIL] In other words, it is predominantly the taxpayer who is funding your campaign?

[Waldheim] I don't do the legislating. All I know is that the political parties in Austria receive official contributions. Is that so?

[PROFIL] It is.

[Waldheim] Well, in that case there really is nothing that is untoward there in any way. How much of these contributions is spent on my election campaign, I don't know.

[PROFIL] OeVP election campaign manager Heribert Steinbauer speaks of more than 30 million schillings...

[Waldheim] How much?

[PROFIL] More than 30 million.

[Waldheim] Well, that would be something. It isn't that much by a long shot, though.

[PROFIL] So how much is it? The OeVP election campaign manager really ought to know.

[Waldheim] It is the first time that I hear of an amount of 30 million. To me, he actually made statements to the effect that the current funds were not enough.

[PROFIL] Why are you so averse to presenting yourself as OeVP candidate?

[Waldheim] I only want to give voice to the fact that I do not belong to the party and that I am therefore making my position clear, because I believe that I am also electable as far as others are concerned.

[PROFIL] Hardly anyone gives a better explanation of why you want to stay so aloof from the OeVP than the OeVP's own PR agency Schretter & Co when it makes the following key statement in an internal study: "In the person of Kurt Waldheim, the People's Party is getting its best chance so far to come up with a Federal president. The recent positive poll results, however, also entail the danger of not admitting the liability the currently colorless People's Party constitutes for any candidate.

[Waldheim] Look, I have stated time and again that I support the OeVP weltanschauung. What mattered for me was not the kind of state the party is



in but the consideration that I support the Christian weltanschauung, the OeVP's view of society. Therefore, I gratefully note this support.

[PROFIL] Actually, our question was whether you consider a "currently colorless People's Party," as its PR agency describes it, to be a liability.

[Waldheim] I regard what PR firms come up with there as irrelevant. I have very little use for such things. Nor do I think it is any kind of liability if the statement is being made that the OeVP image is not a good one. I am my own candidate. So far, I have not fared poorly with that, for the fact that I have this headstart apparently is due to my image meeting with approval among people.

[PROFIL] Your attitude toward the OeVP still is not quite clear. Your professed fondness for the People's Party evidently has not been enough to cause you to become a member. Why is that?

[Waldheim] I am a career diplomat and despite being close to the OeVP as far as weltanschauung is concerned have never seen any reason to join it, because I am convinced that an Austrian representative abroad must represent the whole country. And he can do so more easily if he does not belong to any party.

[PROFIL] Is there something concerning which you differ with the OeVP as far as weltanschauung is concerned?

[Waldheim] I would say: Not as far as weltanschauung is concerned. But in various instances I don't support OeVP practice...

[PROFIL] For example?

[Waldheim] For example, in the question of a third republic.

[PROFIL] That really belongs in the category of futurism. What bothers you as far as current OeVP practice goes?

[Waldheim] I don't want to mention any concrete examples.

[PROFIL] Overall, you are not satisfied?

[Waldheim] Look, a great deal has been written and said in recent times about whether or not OeVP politics are right. There has been a lot of criticism of its not taking a clear stand on current questions. I am aware of that. But it is not my business to now conduct an analysis of the way the Austrian People's Party operates. I don't think that is the right thing for a presidential candidate to do.

[PROFIL] Okay. What actually are the reasons militating for Waldheim to become Federal president?

[Waldheim] I have been able to gather enormous experience in past years. Particularly knowledge and experience of the world. I think that this makes people feel: Yes, the man knows his way about.



[PROFIL] Knowledge and experience which Dr Steyrer has not gathered?

[Waldheim] I don't want to comment on that at all.

[PROFIL] But your minus is that you have not been present in domestic politics in the past 15 years.

[Waldheim] I was always in very close contact with my country and saw to it that I was kept informed about what was going on in domestic politics. Hardly a week passed without Austrians coming to see me in New York. So I don't think I have a minus there.

[PROFIL] Let's try an example. What is the FPÖe [Austrian Liberal Party] percentage at present?

[Waldheim] Percentage of votes or what?

[PROFIL] Of votes.

[Waldheim] Five percent or so. It is of course constantly a question of the 5-percent hurdle and so on. I always followed that carefully.

[PROFIL] The 5-percent hurdle doesn't play a part in the Austrian National Council [lower house]...

[Waldheim] ...in the German one. In the German parliament, certainly.

[PROFIL] Aren't you afraid that in domestic politics you may step on soap-- as the Viennese say so nicely?

[Waldheim] Not at all. I have already presented my views on all possible questions in the media. I don't think I have made any errors so far, and that really ought to show that I am familiar with domestic political conditions.

[PROFIL] Just why do you want to become president?

[Waldheim] The answer is quite simple. I think that I can make my own long political experience available in my country. Of course, I could retire and lead a pleasant life, but I have never been a man to lean on comfort. I have always been a hard worker.

[PROFIL] You are now 67...

[Waldheim] I am 66; people always make me older.

[PROFIL] Why do you want to burden yourself with such an office at this age?

[Waldheim] One has to have an ideal. An ideal is indispensable. One has to enjoy one's work.

[PROFIL] Was it your idea to seek the presidential candidacy?

[Waldheim] It was my idea, because I have always been fond of my country.

[PROFIL] There are people who say that you just are very ambitious.

[Waldheim] I wouldn't call it ambition. Personally, I am convinced that I can exercise this office satisfactorily.

[PROFIL] Even OeVP officials who have known you a long time aren't so sure about that. When your nomination became known, one could read the following in the WIENER JOURNAL published by Vienna OeVP officials: "As is known, the OeVP base does not like him. Kurt Waldheim has the nickname "pudding." Colorlessness is the diplomat's camouflage, noiselessness his style, silence his metier." And: "Whichever OeVP official one may ask, the enthusiasm for him is limited."

[Waldheim] I am not perturbed about that. Anyone who knows me knows that I am the exact opposite.

[PROFIL] But your activity as UN secretary general was reviewed similarly. A quotation from an editorial by Karl Heinz Ritschel in SALZBURGER NACHRICHTEN: Waldheim "has proved to be a master maneuverer, all things to all people, but becoming less and less creditable as a result of his many kowtows. There are people who look like they have a rubber hose instead of a backbone; Waldheim has turned out to be one such."

[Waldheim] Look, any editor is entitled to voicing his personal opinion. I don't share this view in this case. And I think the world has long since realized that I definitely am not the kind of man I was said to be initially; otherwise, of course, I would not have been unanimously elected for a second 5-year term.

[PROFIL] You always had a bad press. For instance, Joseph Kraft, in the respected HERALD TRIBUNE, called you a "headwaiter, superficial and without any great moral strength."

[Waldheim] Look, in part I have also had a very excellent press. The fact that a man who is so much in the limelight like the UN secretary general does not only have friends, also because he has not always danced to the tune of certain U.S. circles, for instance in the Middle East question...

[PROFIL] You did have confrontations with the Jewish lobby in the United States, which accused you of being anti-Semitic.

[Waldheim] That was on account of my Middle East policy; it involved me in some controversy with Jewish circles in the United States. That I am an anti-Semite is quite untrue. I have to reject that completely. I have a great many Jewish friends with whom I am on perfectly good terms.

[PROFIL] Back to Austria. For the coming election campaign, the OeVP agency Schretter certifies three principal weaknesses on your part: a minus as far

as Austria is concerned, a minus in current affairs, and a minus in charisma. In other words, you have been out of the country too long, you are too far removed from everyday politics, and you are a not reproachable diplomat.

[Waldheim] I have no use for such things. Agencies have to prove that they have a job to do. The best evidence to the contrary is the polls--which I definitely don't want to overestimate, however.

[PROFIL] So you are going into the election campaign without any weaknesses?

[Waldheim] Considering the poll results, I need not worry about weaknesses. I don't have any.

[PROFIL] Your opposing candidate says he would only reluctantly appoint a grand-coalition government. He says he really has little use for it. What do you think of that type of government?

[Waldheim] It would not bother me at all if the parties said of their own volition: "We want a grand coalition because the problems of the country have become so serious that we have to unite all forces of the country in the government.

[PROFIL] For that very reason, the People's Party regards this election as crucial. Kurt Waldheim as Federal president is to smooth the way for the OeVP to return to the government, for instance in the form of a grand coalition.

[Waldheim] I think this question now again stems from the consideration that I really am not independent. I would like to emphasize once more that I consider myself to be above the parties and, if I should become president, will handle the task of forming a government quite objectively. I am open to any variants and will not discriminate or make preferences here.

[PROFIL] Kurt Steyrer says so, too. Apart from party membership, what in fact makes you more independent than your opposing candidate? As he is the candidate of the SPOe [Austrian Socialist Party], so you are the candidate of the OeVP, with all the political implications that go with it.

[Waldheim] Dr Steyrer, as he himself emphasizes, has been a party member for many years. He grew up in the party...

[PROFIL] And you grew up in the OeVP as far as weltanschauung is concerned...

[Waldheim] For me, Kirchsclaeger is the exemplar. The prerequisites are quite similar.

[PROFIL] But Kirchsclaeger was not an independent candidate; he was always the candidate of the SPOe.

[Waldheim] Yes, but he never left any doubt about his background. That is very similar to my case.

[PROFIL] What are you actually going to do with your UN pension when you are Federal president?

[Waldheim] Let us first wait for the result of the election. Then, you can be sure, I will take the social straits and need of others into account.

[PROFIL] In other words, you will not forgo it?

[Waldheim] I will use the pension in such a way as to help people in straits. It is a question of about 100,000 schillings a month.

[PROFIL] In other words, you will give the full amount to charity?

[Waldheim] I have spoken of cases of social need. It remains to be seen how that can be arranged best. It is a matter I would like to decide when the case occurs.

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## FLEMISH PARTY LEADERS VIEW FOREIGN POLICY ISSUES

Brussels KNACK in Dutch 2 Oct 85 pp 30-38

[Interview with five Flemish party leaders by Frans Verleyen and Hubert Van Humbeeck; date and place not specified; ellipses as in original; passages enclosed in slantlines emphasized in original: "Each One Has a Consensus of His Own"]

[Text] Foreign policy has become an important political issue in this country too in recent years. The missiles in particular have divided the political world deeply.

Whether we like it or not, at this moment a debate on foreign policy is unavoidably a debate on the deployment of the American nuclear-armed missiles in this country. That is what happened in our editorial offices too. Sitting around the table were CVP Chairman Frank Swaelen, Minister Herman De Croo from PVV, SP Floor Leader Louis Tobback, his colleague Frans Baert from the People's Union, and Magda Aelvoet of Agalev [Going to Live Differently]. We first asked whether Belgium has played a role in the discussion carried out in recent years all over the West on the future of the Atlantic idea.

Honesty compels us to note that Frank Swaelen had to leave the table after the discussion of the missile issue, because of business elsewhere.

Louis Tobback: I believe that the role Belgium has played in the discussion of Atlanticism can be summarized very simply: the Belgian government has acted as if that discussion did not exist. Those who wanted to raise the issue were brushed off into the anti-American and neutralist corner. So in our opinion the debate /is/ going on, and not just in this country but in all of North and Central Europe. From West Germany to Sweden. A large part of public opinion has begun to realize that we are on a path without end: from the neutron bomb via the missiles to Star Wars today. It is not even just a problem of just the military issues. We are also talking about general economic and monetary problems, and the Ronald Reagan administration in particular has contributed to getting this discussion going so urgently in West Europe.

Frank Swaelen: It is true that a great debate has arisen over this country's foreign policy, but it is certainly not true that that discussion was nipped in the bud. There have been important debates in Parliament in recent years, which the government certainly helped to stimulate. I am thinking about Zaire, development cooperation, the foreign minister's Note on Africa. The debate on the missiles /was/ carried out in public opinion, a debate on everything connected with the missiles, the meaning of our defense and of Nato. That /was/ all discussed exhaustively in public, was it not? That is a positive evolution.

It is just a pity that it was reduced to a desire to break the consensus that existed in this country on the broad lines of our foreign policy. That is in part the result of the fact that more and more people participated in the debate, but also in part because the Socialists wanted to create a distinct image for themselves over



the missiles and Zaire. That was done consciously. It is important for a country like ours that there be as broad agreement as possible on a number of essential points, on a nonpartisan basis.

Herman De Croo: It is true that there has been a lot of talk about foreign affairs under Martens V. Not just about the missiles, but also about the Note on Africa, about European points of view. Also important: this government has established a Committee for Foreign Economic Relations that every minister or state secretary who goes abroad has to report back to. I remember when there was one debate in Parliament each year on foreign affairs, and that was when the Ministry's budget was discussed. That is certainly no longer true now.

In any case, after the Second World War we abandoned the idea of neutrality, we chose for the Nato alliance, and we take part in the collective decisions that are made there. We have chosen for one camp, and that has given us 40 years of peace, we are a social welfare state, and Europe has become the largest trading partner in the world.

Frans Baert: It is certainly clear that there has been an evolution in people's minds, and that has occurred in two ways. First and foremost, within Nato the United States has been pulling the blankets over to its side of the bed more and more, without paying much attention to the European allies. And in turn a critical attitude grew in many European countries. This no longer longer accepts as natural such domination by the United States. The European side began to grumble when it became clear that American policy was not always exactly disinterested. That under the mask of loyalty to Nato, economic interests also played a role. I am thinking for instance of Pégard, which was not allowed to sell its relatively innocent machines to the Soviet Union, while it now turns out that the United States itself is going to supply important strategic equipment to the People's Republic of China.

More like-mindedness among the European member states might lead to our having a larger voice in the inner sanctums, and I think that is important for peace. I /am/ still loyal to Nato, but /with/ that critical attitude and not blindly accepting U.S. leadership.

#### Consensus

Magda Aelvoet: That aggressive policy of the United States under Ronald Reagan is certainly very obvious. Not just vis-a-vis Europe, but also vis-a-vis the Soviet Union and Central America, for instance. I think that we should put much more effort into the European leg of Nato. However, when I look at government policy over the last 4 years, I find that more than anything else Belgium has followed the leadership of the United States slavishly and not very critically.

Swaelen: This country's position and history have taught us that we depend for our security on the help of others. We are an open, small, and vulnerable country. For our economic development too we depend on closer cooperation in Europe. That brings me to that one main point that sounds like a cliché but still cannot be repeated too often: we need greater European unity. Because--and do not forget it--if the European leg is lacking, that is the fault of the Europeans, who cannot manage to speak with one voice. Is it so surprising that a powerful country like the United States raises its voice when confronted with 14 small little countries that cannot reach agreement with one another? We just have to see to it that we give new impetus to Europe.

Tobback: I want to come back to where I started: I still say that this government has stimulated absolutely nothing. We should distinguish between a parliamentary debate and an non-binding, academic explanation such as I have often had from the minister. The entire missile issue since 1979 has been enveloped in an atmosphere of half truths and complete lies. That is also true of other issues. In the Netherlands, for instance, they are now discussing the status of forces. So it can be done, so we do not have a collective interest in keeping it all secret. But we are certainly much too emotional to decide about a



problem like that in Parliament, that at least is the minister of foreign affairs' opinion, because it says so in the records.

### Three Positions

Frank Swaelen says that the Socialists wanted to create a distinct image for themselves over foreign problems in order to break the consensus. I would like to phrase it positively: we got the debate on foreign affairs going. But the consensus was broken without any help from us, and not just in Flanders but all over Europe.

That is really too crass: you can talk about foreign problems here, just as long as you agree with /them/, because then there is a consensus. So I do not agree with that any more, but if they agree with my points of view, then we have a consensus again, it is that simple.

In recent years we /have/ faced a gigantic problem with docility. In the case of Pégard, for instance, it verged on caricature. I am accused of being too hard on Leo Tindemans, but a minister who informs us in an interview in January that he is the father of the idea of coupling the tables in Geneva, that he had to argue hard for that, and who then says in March that if the Russians are not willing to /de/-couple the tables, then we have to fix them up--what am I supposed to make of that? I do not have to take that.

[Question] What do you think of the whole procedure by which the missile issue was finally handled?

Swaelen: The problem of the procedure was raised and exhaustively discussed at the time of the definitive decision. There were even two debates in Parliament, one on competence and one on the decision itself. They even referred to a 1962 debate where the same problem came up. You remember: according to article 68 of the Constitution, the King--and thus the government--concludes treaties. The government thus makes the decision, and Parliament gives its sanction to the decision afterwards. Parliament is the only body in this country that can /really/ interpret the Constitution, and it voted on this case. That all took place out in the open, it is not as if this entire discussion had been swept under the carpet. That is clear, isn't it?

Aelvoet: Nonetheless, there /is/ a problem. There are jurists who believe that constitutionally there /are/ some points. I am familiar with article 68 of the Constitution too, but there is also article 25bis, which states that sovereignty can be transferred to an international body by law or treaty. What has happened is that sovereignty was transferred not to an international body--if Nato is even that--but to the United States, because it is and remains the owner of the missiles and retains complete political control over them.

Baert: I think there is some confusion here. There are three positions. There is the position that Parliament votes after the government has made the decision. A position that the majority accepts today. There is a second position that we have to have a law to legitimize and approve the whole transfer of sovereignty. More therefore than just a vote of confidence. The third position is that not just a law was necessary but an amendment to the Constitution. I think that what happened in Parliament is not right. But not in the sense that the Constitution had to be amended. So I believe in the second position.

De Croo: At this point I want to ask this: if the next government includes in its program the decision to send the missiles back, what will the parties sitting around this table do in Parliament? That is what interests me, the rest is history.

Tobback: I am not jurist, so I want to look at the issue politically: the government will indeed have to make a decision. But there is one fundamental difference. If the next government decides to send the missiles back, then Parliament will discuss that /before/ they are gone. You can just bet that the Americans will take

the time to check whether there really is a parliamentary majority in favor of that decision. You deployed the missiles before you knew whether there was a majority in favor of that decision.

However, as I follow this discussion, it all seems pretty academic to me. Last month the NEW STATESMAN revealed that there is an agreement between the British government and the United States to place British harbors under American command in time of [sic]. /Well, I am telling you that today there are also similar agreements between Belgium and the United States./

[Question] Are you referring to Zeebrugge?

Tobback: And Ghent /and/ Antwerp.

De Croo: You will have to prove that....

Tobback: Look, 5 years ago certain circles were constantly talking about a "Nato Law" that would take care of things like that. We never passed it, but now that we have a majority that really would approve such a law, it has been years since we have heard anything about it. And now it suddenly comes out that Thatcher has concluded an agreement of that type without her Parliament's knowing anything about it. That is what has happened here too.

Swaelen: Now you are casting a web of suspicions, we are not used to things like that from you....

Tobback: Hey, I have had other "suspicions" before. When I said that the missiles would be deployed in Florennes, that was not true either. The bad thing is that I as a member of Parliament have nothing at all to fight with in this. The minister refuses to respond seriously. The fact that there were agreements on the status of troops in Florennes was leaked in the HERALD TRIBUNE. I could not get any response to my questions on that.

De Croo: But I still do not have any answer to my question: what will the parties around this table do if the next government decides to send the missiles back?

Baert: From the start we have opposed the deployment. The People's Union will use all reasonable means to have the missiles that are installed in Florennes removed, that is in our program. I think that there should be a debate in Parliament, and the decision should be made after that. But our point of view is clear: /those things have to go/.

Swaelen: My party has given its approval to the government's decision of March. We think it does not violate the Constitution. That decision states that a number of cruise missiles will be deployed in the first stage, and that whether or not they are removed depends on the results of the negotiations in Geneva. Those negotiations have always been very important for us.

#### A Small Step

[Question] What is your attitude toward SDI, the so-called Star Wars?

Swaelen: I personally think that SDI is not feasible as a strategic concept. There are so many unknowns, so many conditions have to be met that it is doubtful whether it will ever work. But we cannot throw the baby out with the bath water. At the bottom of that idea lies a concern which we share. Namely, to switch over from deterrent with purely offensive weapons to deterrent with purely defensive weapons. That step /is/ worth studying, it will be interesting to look into whether it is possible. Pending another form of defense, a non-nuclear one. It is not because it comes from Reagan that it should be thrown out without a second thought.

Baert: I wonder whether it is really reasonable to spend all those billions of dollars on research that in all probability will not lead to any strategic result. And suppose it works: do you think that it will be able to prevent every possible nuclear attack? If it works, shorter range missiles might well come to play a greater strategic role.

Aelvoet: Frank Swaelen makes it seem as if SDI is a transitional situation. How long will it last then? For 35 years now we have been piling up more and more nuclear weapons, and there still has never been a creative response to the question of how the process can be turned around. Are we more secure? The general perception is that we are not. At the very moment when they are seeking the perfect shield, the order is being given to look for a weapon that can pierce it. And you seem to think it is a splendid concept, don't you?

Swaelen: I did not say that. I only said: investigate more closely what there is to it.

Tobback: I agree that it will turn out to be impossible to carry out SDI. But we are still going to start the research, and that in itself will lead to the explosive development of a new kind of weapons, and that is going to cost so much more in addition. If we are nonetheless to plunge into the adventure, then I would plead for what the Palme Report called "common security." How much of a chance has that been given?

De Croo: Have there been so many hopeful signs then from the other side, after Helsinki and Madrid and the other follow-up conferences? I see no signs of detente in the short run. The other bloc is not loosening up, there have been no changes there. There is just one possibility, and that is a parallel and verified reduction in armaments. And Europe can play a role there.

Baert: Nuclear-free zones....

De Croo: Nuclear-free zones are an illusion, if they are not accompanied by a reduction outside the zones.

Baert: Nonetheless. A nuclear war has nothing in common with war as we knew it earlier. What culture or civilization is worth being totally annihilated for? That one small step toward disarmament does not do away with deterrence. The one superpower might then only be able to destroy the other 18 times, instead of 20 times.

[Question] Another important topic of discussion in recent years has been our position toward Zaire. Is Zaire still a privileged partner?

Tobback: Our position toward Zaire has to fall within the framework of a general position toward human rights and development cooperation. At the commemoration of the Helsinki Accords, Minister Tindemans attacked the East Bloc countries on human rights. We agreed with that, we also protested when Loekianoff, a Ukrainian by birth and a naturalized Belgian citizen, was arrested on a visit to the Soviet Union and condemned to death for actions committed during the war. That was a great violation of international law, to let a Belgian into the country and then to arrest him. That was a trap, just as has now happened with Ronald Van den Bogaert in Zaire. But this time the minister says that we cannot intervene in Zaire's internal affairs. It looks to me as if he is using two different standards, depending on the regime involved. We cannot say anything lest we make difficulties for the Belgians in Zaire. But how far does that go? Can they actually execute Van den Bogaert before we can say anything?

Aelvoet: They always say, /watch out, be careful/. But what has that kind of diplomacy achieved? The same problem has come up with the priest Gillard in Colombia and with Serge Berten. In the Ministry of Foreign Affairs' Notes on Africa and Asia, everything connected with human rights was kept very vague.

They were not weighed against the other interests that were listed. When does which interest prevail?--that was not made clear.

In the meantime business interests have really come more and more to the fore in development cooperation. The Belgian economy has to get something out of it. We are prepared to take those Belgian interests into account, but the central question is always whether that Belgian interest really takes the needs of the developing country into account. We should distinguish clearly between foreign trade and development cooperation, each of those two ministries has its own specific task.

De Croo: This is how it is: we have historic ties with Zaire, Rwanda, and Burundi, we have all kinds of treaties with those countries. Zaire does absorb the largest portion of our development cooperation, but nonetheless this government has diversified our African policy. Think about Senegal, Gabon, Mauretania.

Obviously Zaire is no democracy, it is a one-party state where there are various interests, and a consensus has to develop from them. Do not underestimate that, that may be more difficult than with us. I feel that we have to maintain our privileged relations with Zaire. We do not have the capacity to carry out a development cooperation policy on a world scale, but we have a tremendous presence in Zaire. The number of projects runs into the hundreds, with the emphasis being put more and more on agriculture. It is also true that we do not lose by our relations with Zaire. But of the money that we spend in that country, half goes for salaries for Belgians, for orders of Belgian products. It is said that sometimes some of that ends up in the wrong hands, but that is a problem with all countries and regimes. That never happens here of course, all the pretty posters hanging on the walls now were of course come by honestly.

Also in connection with Zaire, we must not throw the baby out with the bath water. The regime /has/ created a certain stability, the tribal conflicts have been brought under control. Anyone who looks at the fighting in the surrounding countries will see that things could be very different there.

As for Van den Bogaert, I have not been involved in the matter, and so I am not very familiar with it. But still, I also have not judged our relations with the Soviet Union exclusively and solely on the basis of what happened in the Loekianoff case.

Baert: But there is still a difference between expressing your opinion and intervening in a country's internal affairs.

De Croo: I do not have any problem at all with that.

[Question] Yet another country that Flanders has a special relationship with is South Africa. There are still Flemings who support the regime in Pretoria. How does the political world see that now?

De Croo: I can give you a short answer to that: apartheid is unacceptable to a Liberal. What measures have to be taken to end that situation is another question. Belgium has agreed on measures within the EC, and we are now carrying them out. But apartheid is odious and we have to find ways, without doing harm, to make conditions in South Africa fit for human beings.

Tobback: I believe that nobody in our political system is for South Africa, unless some misfit. The question is just what can be done about it. Just as with Zaire, that may presuppose that we harm our own interests, that we will have to renounce some privileges we enjoy at present. If there is a violent explosion in South Africa, the Antwerp diamond market will suffer, that is certain. But that is no reason to defend apartheid. I am convinced that if we go on as we are at present, the powderkeg will certainly blow up some time or other. And that will have unimaginable consequences, for us too. So it is better to try to find a reasonable solution in time.



Baert: There really can be no discussion about this, that system is immoral to our minds. So it must be ended, but finding the means to do so is not so simple from an international point of view. I think that it is important to exercise moral pressure, and that also seems to produce some results. But tactically we cannot avoid a certain gradualism, if we want to avoid a disaster. The first and foremost point is to avoid genocide.

Aelvoet: It always happens: as long as a situation remains under control, commercial interests take precedence. Anyone who opposes that is scolded for being naive. Until the situation becomes explosive and threatens the economic interests, and then they acknowledge that it is a real problem. First things are left alone for years, and then everybody says they had all been against it all the time. I would like to tell the gentlemen that policy is not judged on verbal positions but on concrete action.

[Question] In recent months a controversy has grown up mainly in connection with Communal Minister Hugo Schiltz's appearances abroad. Can the Flemish community in itself conclude treaties?

Baert: The framers of the 1980 Constitution entrusted international contacts on personal matters to the communities. I have the impression that the government adheres too strictly to the unamended text of article 68, which states that the King concludes treaties. In the government's view the King, and thus also the national government, must represent the communities. My position is that article 68 remains in force, but only for matters falling under the competency of the national Parliament. In other cases article 59bis applies. Indeed, the one is perfectly compatible with the other, we must also be able to take action abroad, as the Flemish community.

De Croo: Policy is not made in a vacuum. A person negotiating a treaty must have someone to negotiate with. That is often difficult for a community. But I feel that the government /has/ gotten the communities and the provinces involved in negotiations, take the water treaties with the Netherlands. When we had to conclude a treaty within the EC on tourism, that for instance was much more difficult. Belgium can only speak with one voice there, and not with two or three. But it is clear that the problem has not been solved. There are unclear points in the Constitution, things ought to be better demarcated.

Tobback: I want to put this in political terms too. The demarcation of competencies is unclear, and that was one of the reasons why the statement on constitutional revision was necessary. After all, there is a tension in CVP between those who are honestly working for more federalism and those who in the PSC salons in Brussels dream of a more unitary state. That tension leads to immobility, and as long as that lasts there will be no clear agreement.

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## EXPERT ON POLICE PROBLEMS, LACK OF COORDINATION

Brussels KNACK in Dutch 9 Oct 85 pp 27-33

[Interview with criminologist Cyrille Fijnaut by Jan Braet: "Elbow Room for Trained Rabble"]

[Text] There is still no meaningful trail leading to the Nijvel gang or the CCC [Communist Combatant Cells]. Criminologist Cyrille Fijnaut talks about the activities of the Belgian police services in the fight against terror and gangsterism.

Question: In the case of the latest attacks in Overijse and Eigenbrakel the number of technical mistakes made by the gendarmerie and the police was substantial. Is there something lacking in their training?

Cyrille Fijnaut: It is a well known problem, and the government, specifically Minister of Justice Gol, has also recognized that in the area of technical investigation, within the police organization, Belgium clearly seems to be lagging behind. It is not without reason that Gol has withdrawn large sums specifically to promote the development of criminal sciences.

Question: What can be done with money?

Fijnaut: You can at least raise the level of technical investigation in a country. That has been neglected. Between the two world wars Belgium had one of the best known laboratories in this field in Europe. It was well known because of its high level. And after the Second World War it gradually began to fall behind. But there are two things which are of primary importance in this kind of action: the training of the uniformed police personnel in the area of technical investigation, and secondly the necessary specialization of the police, a special unit in this area, in the form of technical investigators. However there are problems related to those two points.

Question: Is it the theoretical level which should improve?

Fijnaut: There is of course some theory involved in it, but of course also some financing. You will have to train people, attract them, and free resources to purchase technical equipment and to learn to use it.



Question: The police apparatus was also lacking in terms of coordination.

Fijnaut: The problem of coordination in Belgium goes back to the beginning of this century. At the end of the previous century and in the beginning of this century relations within the Belgian police body were rather simple. In the cities you had primarily the municipal police and outside the cities there was the gendarmerie. Over the last 60 to 70 years this has changed a great deal and you first of all have the phenomenon that the gendarmerie and the municipal police work much more on one another's terrain, both territorial and functional, than had been the case prior to that time. And secondly, you had the establishment of the judicial police in 1919, which added an extra complication to an already difficult relationship. Today, just as in the late sixties, those problems have culminated again. Then it was after the attacks in Brussels in 1966, and at that time all kinds of discussions also took place about improving the coordination and integration of the Belgian police services. As of 1972, government commissions and official commissions have been established to investigate those problems, but they have never produced any results. And I feel that in a certain sense we are getting the bill today for the fact that for 20 years we have not really tackled the coordination problem seriously. What can be said is that with the Martens V administration, and specifically with Minister Nothomb and his draft municipal police bill on the one hand, and on the other hand with the Coens proposal those problems have at least become clearer, but are not therefore close to being solved by far.

#### Central Coordination

Question: Do you yourself have any suggestions for solving that problem?

Fijnaut: At this time it is impossible to achieve a total reorganization of the Belgian police and to turn it into a single kind of police for example. That is excluded. Secondly, a simple coordination would also be damned difficult to achieve within the current configuration because so many bodies and authorities must be involved in it. It is very difficult to find a body of representatives, a platform on which this coordination could be achieved. We must find a middle road as it were. In my opinion, that consists of working on the basis of the principle of complementarity and of maintaining generally: one, that in the future the gendarmerie keeps out of places where the municipal police is strong enough and organized enough. Secondly, I am in favor of completing the establishment of the territorial brigades of the judicial police force. There is a need, I think, within the Belgian police system, for coordination of central investigation at the level of the Commissariat General of the judicial police. But if one really wants to achieve greater coordination, one will have to achieve greater simplicity. I feel that those territorial brigades have fulfilled their function. They were established at the time among other things because of inadequate investigative specialization in the gendarmerie and the municipal police. That specialization has gradually gotten off the ground over the last 20 years. It would be best to continue and improve this, but then I feel that it eliminates the reason for the existence of the territorial brigades of the judicial police.

Question: It now looks as if everything will be placed in the hands specifically of those brigades.

Fijnaut: It is also my understanding that coordination will go primarily through the judicial police now. And I think that generally speaking (I don't want to say in this case, it depends on the data the judicial police have at their disposal) this is the least fortunate solution, because information about society, about people, about criminality etcetera, is primarily in the hands of the police and the gendarmerie. Because they live close among the people. The judicial police are far removed from that.

Question: Some seriously suspected of being in the Nijvel gang have skilfully played on that lack of coordination by making every investigative body believe something different. They have all been released for lack of evidence.

Fijnaut: This system of course gives an enormous amount of elbow room to trained individuals, doesn't it. Naturally, it doesn't make any difference for people who have their first brush with the police, but people who are really organized, career criminals, benefit enormously both tactically and strategically from this situation. That is unquestionably the case.

Question: Because of the fact that the gangsters in the attacks in Overijse and Eigenbrakel proved to be so well informed about the organization of the gendarmerie and the police, and also because of their evidently military manner of action, some observers have suggested connections between the gang and the gendarmerie or the army.

Fijnaut: I would like to say two things about that. First of all, that I don't think it is any evidence of brilliant insight to be going from one district to another. I mean, the coordination problems of the police are so obvious in Belgium that you really don't need to be a brilliant criminal to see it. That is of course something which has been under discussion for 15 years already, and not only does every boy around know that this is the major problem, so does every citizen. And as far as that thorough military training is concerned, I know that Walter De Bock wrote that in DE MORGEN, but from everything that I have read about and seen of those attacks, they really did not show direct evidence of refined military insight. I find it rather clumsy and brutal and I don't right off see a sophisticated military organization in it. The manner in which they approached their targets, how they acted against those targets, how they withdrew, they are very simple ways of doing things which anyone who wants to do anything of the sort could think up. I am not excluding the possibility that there are people with military background, commando training or what not, who are involved in it, but great military genius, no. In my opinion that is a little too much honor for those gentlemen.

#### Supervision

Question: Some people feel that the continued militarization of the gendarmerie is dangerous and plead, for example, for a gendarmerie completely separate from the army. What is your opinion?

Fijnaut: In principle I also feel that in terms of administration, the gendarmerie does not belong under Defense. I feel that it should be under Internal Affairs. I think it is wrong for a police corps in a democratic constitutional state to be under national defense; that doesn't project a good image. And what I think is also wrong in the second place is that those who have authority over the activities of the judge, are not or are only barely involved in the administration. I think that authority and administration should be related to one another. And for those two reasons I am also in favor of a transfer, as far as administration is concerned, to the Ministries of Internal Affairs and Justice.

Question: Are there better opportunities for supervision imaginable for the civilian government?

Fijnaut: With that you increase the opportunities for supervision of course, because whoever manages it and thus controls the spending of resources also has very close indirect control over the activities, both in terms of their scope and their quality. The point where the foolishness of the situation is most visible is at the time of the budget discussions for the gendarmerie in parliament because, even though the activities of the gendarmerie are widely talked about there, only the minister of defense is present there to answer questions, and that man has to say every time, and he says it regularly: "That is outside my competence, that is within the competence of the ministers of justice and of internal affairs." But they aren't there. Hence, the parliament's ability to carry out its supervisory function is being curtailed substantially.

Question: What are the forces which oppose such an apparently obvious rearrangement?

Fijnaut: That involves primarily power relationships among departments. The Ministry of Defense will not like giving up the gendarmerie because, after all, it does represent a very important part of the administrative functions of that department. On the other hand, it is also true that there are officers within the gendarmerie who feel more at home, partly because of their training, because of their whole way of thinking and their mentality, in a military setting. To me that is perfectly clear. The leaders of the gendarmerie are, to put it as mildly as possible, ambivalent toward a transfer to those two civilian departments. A third point is the fact that when it comes to the opinions of the political parties, specifically the center-right parties and the Christian parties have always been suspicious about the idea of that transfer. They also have the feeling that the departments of justice and internal affairs are tied so much to politics that it would be better for the gendarmerie to be less involved in that bustle of everyday politics. But I find that a rather hypocritical position, because when the gendarmerie is under defense, that also involves politics. I really find that a fallacious argument.

Question: It appears that there are extremist figures from the neo-Nazi WNP [expansion unknown] who agitate within the gendarmerie. A transfer to a civilian department could perhaps help stem this tide.

Fijnaut: Well now, there are of course examples galore in European history of civilian police services which were also permeated with extremist groups. The fact that a police service is not military is no guarantee of imperviousness to extremist groups. And there is also another point to consider: what precisely would be transferred to the Ministries of Internal Affairs and Justice? It is very well imaginable -- and then you can think of the French situation for example -- for a gendarmerie to remain a rather militaristic police corps and still fall under the authority of the Ministry of Internal Affairs. The CRS [Republican Security Companies (State Mobile Police)] in France falls under the minister of internal affairs, but in terms of organization, in terms of thought, in terms of actions it is very military. The fact of the transfer is not sufficient, and that is precisely my objection to the SP [Socialist Party (Flemish)] proposals. They don't say exactly what they are transferring. Are they only transferring the funds or does this transfer also involve the internal demilitarization of the gendarmerie, in the organizational structures, in the training, in the whole culture.

Question: Senseless lust for murder, little attention for a large booty, a high degree of preparation aimed at sowing terror among the people, are the latest attacks expressions of a new criminality with a political-extremist smell to it?

Fijnaut: I don't think that it is anything new that these attacks are well prepared and are well covered up afterwards. That is a development in crime of the last decades, and actually of this century as a whole, which is called project organization of crime. The only way they distinguish themselves somewhat in the Belgian situation is indeed through the use of massive violence. Does this have something to do with a broader context? Generally speaking, (and that was well proven in the Baader-Meinhof group) it is not excluded at all for terrorist groups to carry out attacks, bank hold-ups to acquire the resources they need in this manner.

Question: The so-called extreme leftist terrorism of the CCC, for example, always makes use of a clear political intention aimed at the people, in this case the fight against NATO. Extreme rightist groups are only interested in a maximum, senseless terrorism.

Fijnaut: I think that the reason is the same, destabilization of the relationships of governments. The means may differ; I have major questions about that. I also realize that a number of attacks in Europe which have caused a furor, and during which violence was used against random individuals, were primarily committed by people from the extreme right, but on the other hand, all those attacks in Paris... And the Baader-Meinhof group started its career by setting fire to warehouses; I don't see at all why that should be a prerogative of the right.

Question: The Nijvel gang, the WNP, the CCC, any meaningful trail has been lost over the whole line. Is that a typical Belgian situation now?

Fijnaut: Actually, that question can be answered only when the solution has been found, when you really know how the other party operates, and you know

the details of the police action. I feel that at this stage you can say that at this time the organization of the Belgian police is certainly not a factor which promotes a solution. But I also think that people should tone down somewhat in this area putting the police under such pressure. On the one hand, certain political tendencies in Belgium have a way of accusing the gendarmerie, the judicial police force and the municipal police force of going too far, of going beyond their authority, of doing no matter what. But with statements, including some from leftist parties, about the lack of effectiveness of the gendarmerie, about what a scandal it is that there is no solution yet, you naturally drive the police into the alley which they are also reproached for being in.

Question: Whatever the case may be, anxiety among the people is beginning to take on serious forms.

Fijnaut: As a matter of fact, I do believe that what is happening in Belgium now is bewildering for many people, both on the side of the criminals, terrorists, etcetera, but certainly also on the side of the police and the justice department. I also feel that the administration, and specifically the police, does terribly little to inform the people.

It doesn't seem desirable to me to come up quickly with all kinds of criminal law information, but it is a question of providing information to the people about one's own organization, about one's own actions, about the problems faced by the police. The unions practice this a little, and one single police organization, specifically the municipal police, but I personally feel that for the gendarmerie and the judicial police the situation is extremely sad. The annual reports of the gendarmerie do not propose anything and are not at all accessible to the public. And the ministers also provide information only at the time of incidents. And that is of course frightening in nature.

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## JØRGENSEN'S NUCLEAR-FREE 'UTOPIA' CRITICIZED

Copenhagen BERLINGSKE TIDENDE in Danish 27 Oct 85 p 17

[Op Ed Article by Connie Hedegaard, M.P. (Conservative Party): "Anker Jørgensen's Zone Therapy/Utopia"]

[Text] 'Zone Therapy' is, undoubtedly, an excellent method for finding out where something is wrong in the body. And something is really wrong about the Social Democratic Party. Otherwise, they would hardly use so many words and efforts on zone utopia.

Nuclear-free zones? Honestly, we do not feel like talking more about that.

The statement was quite obvious to the reporters who, in 1981, in Helsinki, heard Denmark's prime minister at the time, Anker Jørgensen, answer questions on the Nordic countries as a nuclear-free zone.

We do not feel like talking more about that matter! That is it! No more discussion. Is it possible that a recently stranded Soviet submarine of the Whiskey class was not without influence on the prime minister's words? It was, indeed, embarrassing (some would say unfortunate) that the submarine would be stranded on that confounded skerry, just when the debate on a nuclear-free zone was anew gathering momentum--and meeting with sympathy. It would now be better to stop the debate for some time, the discussion would have to be damped for the time being. Therefore, "We do not feel like talking more about that."

It did not take many months for Anker Jørgensen to feel like talking about it again. In February of 1982, he brought the matter up in his speech at the UN disarmament conference. The initiative would have to come from, and be accepted by, all states in the area concerned, said Denmark's chief on behalf of his nation.

He said it even more strongly in Athens 2 years later. But, at the time, Jørgensen was no more prime minister and now spoke as the chairman of the Social Democratic Party. And at the meeting of the Nordic Council, held in Stockholm a couple of weeks later, he went even further: "Denmark may very



well take steps toward the establishment of a nuclear-free zone, comprising the Nordic countries without the prerequisite, at any cost, of U.S. approval," Anker Jørgensen said, according to the report of AKTUELT. It is remembered how Lasse Budtz got into trouble when, last summer, he was unfortunate enough to have similar statements quoted. The party chairman immediately issued a correction. The guarantee and acceptance of the United States would, of course, have to be a prerequisite for the establishment of a nuclear-free zone. One takes a position until.....

In February of 1984, at the conference in Athens, Anker Jørgensen also found that the problems in connection with the Nordic zone would have to be viewed "in a broader European context,"--once more, I take the liberty of quoting the chief organ of the Social Democratic Party as source. Only 7 months later, the Social Democratic congress adopted a resolution to the effect that a Nordic nuclear-free zone "in itself, will form part of the efforts to limit nuclear weapons in a broader European context." It will be noted that the difference is not merely a question of use of language. Indeed, the position on the part of the Social Democratic Party had shifted further in the direction of unrealistic ideas.

But why should I now use so many lines to describe Anker Jørgensen's changing positions on the idea of a nuclear-free zone?

Because--despite the fact that he is now a former prime minister--it is not entirely without significance what the chairman of what is still Denmark's largest party says on such an important aspect of Denmark's security and defense policy. The idea which he not least of all may want to sell in conjunction with the conference of Nordic parliamentarians at the end of November. Or as A. Jørgensen formulated it himself 18 months ago -- quoted from AKTUELT of 21 February 1984: "It will now be a question of discussing the idea thoroughly to create an opinion. It will then be easier to move those who have to be moved. We have to work on the idea and bring it to a head." There are some indications that Anker Jørgensen is now in the process of starting his moving operations, which were delayed when a submarine got in the way.

The idea of a declared nuclear-free zone, comprising the Nordic countries is far from new. It actually emerged for the first time in 1958, when the Soviet premier at the time, Bulganin, in a letter to the prime ministers of Norway and Denmark presented the idea. According to the annals, both prime ministers "rejected the idea politely," which they could, of course, do with a good conscience. Neither Denmark nor Norway had, or have, nuclear weapons deployed in our territories. We are thus actually free of nuclear weapons.-- That is, if we leave out of consideration the many Soviet nuclear warheads which from the Kola Peninsula are aimed at the Nordic countries.

After the feeler on the part of Bulganin, President Kekkonen of Finland took the matter up, but the most interesting introduction of the idea--viewed in retrospect--is Nordic ambassador Jens Evensen's four-point program concerning the establishment of a nuclear-free zone, comprising the Nordic countries. Evensen's close colleague at the time when the plan was introduced was Arne

Treholt. As Dirch Passer put it, "I am merely mentioning it." But that was thus the first time that the idea was presented from official quarters in the Nordic alliance countries.

Despite this background story, the Social Democratic Party and its chairman nevertheless have managed to achieve what Anker Jørgensen wanted in 1984, i.e. forming an opinion. Indeed. It all sounds so right--on the face of it. Why then not "start somewhere?" We cannot, of course, control the superpowers--but as to controlling ourselves, little Denmark, we can manage that. Or, as put by Anker Jørgensen in his best popular language in the news broadcast on the radio on 26 September of this year, where he criticized the opponents of a nuclear-free zone: "But what do they then want to do to achieve the relaxation that is needed--to get out of the vicious circle that nuclear armament, in my opinion, constitutes?" Indeed, there he goes again. For lack of better things, we do, indeed, have to do something. Something or other. No matter what.

But allow me to ask a couple of questions of the Social Democrats who are anxious to establish a nuclear-free zone. First of all, would you be kind enough to explain to me why I may feel the least bit more safe, more secure, less afraid because a signature is put to a sheet of paper? I mean, as long as the nuclear weapons targeted on my country, on me, still remain where they are. Would it not actually be more logical to have them removed first? How do we do that? The Social Democratic Moscow troika did not, exactly, have its suitcases full of promises when they came back! It was my understanding that, in connection with the visit by the Iowa, Anker Jørgensen stated that, according to the provisions of the law of nations, our waters shall be open to the passage of vessels--no matter whether it is a question of nuclear-armed vessels or vessels carrying paper clips. It was also my understanding that Anker Jørgensen does not plan to make any changes in the law of nations, which, indeed, would be a hopeless undertaking. However if, for example, Soviet nuclear-armed submarines are still to be allowed to pass through our waters, I find it somewhat difficult to understand the comforting aspect of a nuclear-free zone. Even the Societ Democrats will, indeed, have to reach the conclusion that, however beautiful and fascinating the idea may sound--it remains naive.

But that has been possible, for example, in the southern Pacific, they will argue. Well, that is true--but what has that got to do with Denmark? Again, it is the Soviet missiles deployed so close to our borders that worry me.

In addition, whether one likes the idea or not, the threat of the use of nuclear weapons is part of the NATO defense strategy. Nuclear arms form an essential part of the deterrent which, it is hoped, will continue to keep the enemy, if any, from attacking us. Dear Anker Jørgensen, how do you expect us to escape this dependence upon nuclear weapons?

I assume that we agree that a certain balance today exists between the superpowers and between East and West, which balance forms the basis for a certain amount of stability, despite the presence of nuclear weapons and the widely

different ideologies confronting each other. From a purely logical point of view, it does appear dangerous for either party to remove part of that which constitutes the said balance without either substituting something else for it or have the opponent make corresponding reductions. The latter thing is, of course, the easiest thing to demand--and, indeed, the most difficult thing to achieve. Unilateral removal of NATO's nuclear weapons, for example, from Western Europe, in itself, is no art. But do the Social Democrats not also feel that this would then make bigger demands on the conventional defense capability of the West? And, if so, is the Social Democratic Party then ready to agree to that? Will you, for example, agree to share the costs? Is that what your voters, the citizens, want? However absurd it may sound, a nuclear deterrent, measured in economic terms, is, indeed, a relatively inexpensive way of achieving a deterrent capability.

And another question: as is well-known, nuclear arms have been invented. We have got the necessary knowledge and production capacity. Not even the Danish Social Democratic Party will be able to give the impression that things are different. Indeed, it cannot be done. Making people believe that nuclear weapons may be eliminated by simply removing them is indecent.

And what about Denmark's (Norway's) position within NATO the moment we declare ourselves nuclear-free, not only in times of peace like now but also in times of crisis and war? How will the Social Democratic Party be able to reconcile this with forming part of NATO's strategy? In doing so, have you then not rejected the reinforcement agreements? The Socialist People's Party, for example, recognizes that this is the consequence and is, apparently, quite happy about it. But the Social Democratic Party, is, indeed, a supporter of NATO. If for no other reason then because, in the past, there was nothing else to do for a small country with 5 million inhabitants which would like to, and still likes to, be able to defend and protect itself. The very guarantee from our allies that they want to come to our rescue with their reinforcements ought to be the greatest advantage to Denmark of our NATO membership.

Actually, is it not quite a lot that the Social Democratic Party and its chairman are about to jeopardize on account of their zone therapy? In studying Anker Jørgensen's statement over the last 5 years, one gets the impression that this is really the case: Some form of tactical therapy, partly to divert the attention from other things, partly to satisfy an opinion, which has become strong for the reason, among others, that our politicians so far have not been capable of explaining to people the very complicated security policy connections. Some of them may not even have wanted to do it.

7262

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## 'DEFENSIVE DEFENSE' POLICY CALLED POINTLESS, CONFUSED

Copenhagen BERLINGSKE TIDENDE in Danish 18 Nov 85 p 12

[Op Ed Article by Monitor: "Good Defense?"]

[Text] The most recent fashionable security-policy expression is called "defensive defense." Not only is the expression hopeless--the entire idea is marked by ambiguity.

For a long time, the debate on defensive defense was purely academic in form as well as in content. Of late, it has, however, spread to the political parties and will, undoubtedly, come to play an important role in the next few years. The advocates hope that the ideas of defensive defense will come to mark the negotiations on a new defense agreement. The present defense agreement will expire by the end of 1987.

Defensive defense is, in particular, popular within the circles of the Socialist People's Party who wish to maintain the party's influence on the Danish security policy, and who hope that the coming "labor majority" will also be able to control the security policy. Tactically wisely, they argue for Denmark's continued membership of the Atlantic Treaty Organization and withdrawal from the integrated NATO cooperation. And that does not require total disarmament but "re-armament" into a defensive defense.

The ideas of defensive defense, moreover, are greatly attractive to the Social Democratic left wing, even to the party's defense policy spokesman, Knud Damgaard, who now for some years has been the person determining the arrangement of our defense.

The actual argumentation for a reorganization of our defense comes from the newly established Center for Peace and Conflict Research, which hopes that the security policy majority of the Danish parliament will, in return, make the center's temporary license permanent.

But what is it then all about? The debate on defensive defense originates first and foremost in West Germany, where peace researchers and others for

some years have been discussing the idea and attempting to concretize it with a view to proposals for the shape to be given to the West German defense.

In general, the idea is that the defense should be shaped in such a way as to clearly indicate to other countries that the country has no intentions to attack. This will be achieved by arranging the defense--its organization, equipment and geographic location--in such a way that the country will not be able to attack any other countries. If several countries--and, in particular, all countries on either side of the political dividing line of Europe--will arrange their defense in this way, it will create political stability. It will especially contribute to reducing the fears of a surprise attack in a crisis situation.

So far, so good! In general, it is a sympathetic idea, which probably nobody in Denmark may object to. The problems arise when the general idea has to be realized.

One main issue concerns the reciprocity of such a defensive arrangement--thus whether it is a prerequisite that both East and West arrange their defense in accordance with the idea. The prospect that the ideas of defensive defense would gain such support has always been extremely uncertain. And when well-intentioned Western peace researchers have presented their ideas to Soviet participants in international conferences, they have been openly ridiculed. Such demands cannot possibly be made of a superpower!

As a result, many supporters of defensive defense have abandoned the demand for reciprocity.

They have instead begun searching for arguments which will show that it is possible to establish a defensive defense unilaterally, which will both deter an attacker and conduct an effective defensive war if the deterrent should fail to work.

If the original idea of a mutual arrangement presented difficulties, the new idea of a mutually arranged defensive defense gives rise to an overwhelmingly large number of questions, which the advocates have not yet been able to answer satisfactorily.

Most of the versions of defensive defense consist of small units scattered throughout the country and equipped with modern, light weapons. These units may possibly be supplemented by a few scattered units with a somewhat greater fire power. The small and lightly equipped units are to make life difficult for an attacker through their pinpricking warfare, causing him to become bogged down and give up the fight.

The train of thought is marked by a good deal of guerrilla warfare romanticism, not at all allowing for the geographic conditions in Denmark--nor the fact that one fourth of the Danish population is gathered in the area around Copenhagen. It is, moreover, marked by the belief that modern weapons technology only favors the defending party. A one-sided evaluation of the technological developments, of which the history of warfare may present many disastrous examples--and which, incidentally, is erroneous.



The defensive defense arrangement presented in the proposals that have appeared so far, cannot prevent an attack and cannot throw an attacker out again. In particular, it can do nothing in the case of an attacker who has solely limited territorial objectives--for example, securing support points for aircraft and naval operations.

It does not take into consideration the vital importance of air supremacy in modern warfare, nor the need for ships and aircraft for maintaining one's sovereignty in times of peace and in emergency situations.

Finally, the deterrent effect of defensive defense is exceedingly modest. A defense which is capable of carrying out one task only makes it easy for an attacker to plan his attack and estimate its costs. As pointed out by Poul Nielson, among others, what decides the deterrent effect is not whether we find it effective but whether the attacker does so.

Faced with concise counterarguments, it is, incidentally characteristic that the advocates of defensive defense react with proposals for supplementary units of the types available to the Armed Forces today.

The ideas of defensive defense originate in the German debate. The obscurities and peculiarities which mark the general ideas do not become any less pronounced when attempts are made to transfer them indiscriminately to Danish conditions. There are many reasons for this.

One is the arrangement of the Danish Armed Forces today. Nobody who is familiar with the Danish Armed Forces will be able to claim that it disposes of an offensive capacity. Actually, the Danish Armed Forces already are in accordance with the ideas that a country's armed forces should not have a provocative effect on other countries. Our reservations with regard to the deployment of foreign troops and nuclear weapons in times of peace were formulated in the past with this special object in view. To this comes that the Baltic Sea, in itself, constitutes a natural barrier which Denmark has not got the financial means to cross for public purposes.

One may with perfect justice ask how much little Denmark will have to do to calm the Soviet superpower? Its routine military power demonstrations come considerably closer to Denmark than Danish military maneuvers have ever come to the Soviet Union.

Against this background, it appears almost absurd to employ the airy ideas of defensive defense in debates on the arrangement of the future Danish defense.

In connection with the new defense agreement, there will be important and current problems enough if we are to succeed in finding appropriate priorities for our scant resources.

## GEISLER SAYS KOHL MUST STRENGTHEN IMAGE FOR CAMPAIGN

Hamburg DER SPIEGEL in German 21 Oct 85 pp 21-22

[Unattributed article: "Mr X"]

[Text] Behind closed doors, the Christian Democrats are planning their 1987 election campaign. There are three key problems: unemployment, pensions and Chancellor Kohl.

For 16 hours the ladies and gentlemen of the CDU Federal Executive kept deliberating and arguing about the best way to win the 1987 Bundestag elections. But they did not come up with a useful approach, let alone an exciting slogan. For the time being, they stuck with an awkward tentative heading, "Germany as a Modern Industrialized Country and a Society With a Human Face."

There was only one sure realization the members of the executive took home with them from their closed meeting at St Martin in the Palatinate wine-growing area early last week: the problem of the CDU is called Helmut Kohl, because he is qualified neither as an opponent of the popular SPD candidate Johannes Rau nor as a person portraying a knowledge of issues and strength of leadership.

Actually the chancellor had not made all that poor an impression. He presented himself to the leaders under him as an optimist who invariably manages things for the best. The economy was in great shape, the number of unemployed would drop for the first time next year, and the mood of the country was changing, he said. All in all, a turning-point for the better had been reached. There was no need for anyone to be in doubt about winning the election.

Yet the members of the executive did not seem to be able to gather any enthusiasm. The person responsible for this was Secretary General Heiner Geissler, ex officio obligated to be realistic. And reality does not by any means look as rosy as Kohl would make his people believe.

The "executive party chairman" (which is what Geissler calls himself) pointed up the weaknesses of the CDU. According to him, the party could not be at all sure of the core of its voters, particularly old people and farmers, even though past experience had shown that fewer people switched their vote in Bundestag elections than they did in Landtag elections. Above all, the CDU had to register gains among fairly young people, among women and among social climbers. Just how, was not made clear.

Geissler urgently warned against underestimating the SPD's candidate-for-chancellor-designate. Though it was necessary to run Rau down as a wishy-washy person, he did not in fact occupy a fixed ideological position and thus was extremely well qualified to cover up the contrasts within the SPD between right-wing comrades and Red-Green changers of the system. Rau would conduct an emotional election campaign, aiming--similarly to his successful campaign in North Rhine-Westphalia--at the hearts and feelings of the voters. The CDU therefore had to try to challenge Rau on issues and to force the Social Democrats into a substantive debate at an early stage.

Rau's first mistakes in national politics appear to confirm Geissler's analysis. Last Wednesday [16 October] the comrade blazed away in the Cologne EXPRESS saying, "As chancellor, I certainly would cancel all curtailments in the social sector"--a blunder because it would not be possible to come up with the funds required. And, sure enough, the comrades quickly talked about misunderstandings, and Rau later conceded that he should have expressed himself in a "far more differentiated way."

At St Martin, Geissler reproached his own administration for not having sold its achievements enough to the electorate. Even worse, too little was known about the far-reaching objectives of the coalition. "We must adequately describe the new world," Geissler said.

Executive member Kurt Biedenkopf contributed the advice to copy the scheme with which Johannes Rau had succeeded in North Rhine-Westphalia and also--this time nationwide--to create a "we feeling." Only, the professor did not know either how that could be done in the 15 months remaining before the elections.

An executive member from the leftwing followed up, on the fringes of the session, by saying: "Rather than always say, like Kohl, that the situation is better than the mood, one can also say that the achievements of the government are better than its head."

Geissler's conclusion: Even against its better knowledge, the CDU must extol the chancellor; what is needed is to create a new Kohl image.

What Norbert Blum--often over the chancellor's objections--has achieved in social policy, what Gerhard Stoltenberg has accomplished in putting the government finances on a sound footing--all that should no longer remain their sole merit. "We have to associate the chancellor with the positive results in economic, fiscal and sociopolitical matters," Geissler said.

This is likely to be all the more difficult as the balance sheet is not all that brilliant. Unemployment (amounting to 2.15 million persons at present) will remain a key problem even when it will tend to decrease. It is difficult to see how the optimism campaign can catch hold here, for far too many people have been unemployed--some several times.

In the 3 years of the Kohl administration, there have been more than 10 million cases of unemployment. About one-third of those working in the Federal Republic,

together with their families, have at least temporarily been affected by unemployment. At St Martin too it remained an open question what to do to relieve so many people of their worry that they may again lose their jobs.

The other key question is uncertain pensions. It is a question which has long since ceased to be only a question for old people and has also bothered provident people in their thirties.

True, Bluem will surprise senior citizens with the glad tidings that, contrary to expectations, it will not be necessary to borrow money to keep the pension system solvent in 1985. The gap of not quite DM 400 million can be filled over the short term with a trick--by obtaining the Federal subsidy ahead of time. This will not do away with the serious doubts as to whether pensions are secure for pensioners of the 1990's. The Federal Executive has decided that a committee is to submit a reform proposal in early 1986.

What is going to come out of this was already made clear by the experts during the closed meeting: lower pensions for the aged, higher contributions for those active, and more subsidies from the Federal Government--in other words from the tax not being filled by all citizens. That means greater burdens for all--not exactly an attractive election promise.

On top of this, Professor Biedenkopf is a member of the commission. He considers the solution favored by Kohl, Bluem and the majority of the executive to be brittle patchwork. In the professor's view, care for the elderly cannot be made secure in the long run without a uniform basic pension funded by taxes, which then could be increased privately by anyone according to taste and purse. Even if the commission presents a different solution in 1986, Professor Biedenkopf will not deviate from his opinion.

What is more, the announcement of a reform will come at a time when pensioners will receive the CDU promises with particular distrust. As a result of a deduction of a further 0.7 percent for medical insurance, the increase in pensions in the election campaign year of 1986--calculated per annum--will be somewhat lower than the expected inflation rate of about 2.4 percent. Pensioners will therefore have to put up with a decrease in their real purchasing power.

Last year, when such a trend became apparent for 1985, the government gave in and patched up things. This time, however, the chancellor and finance minister are--as yet--resolved to be tough. All demands at the closed meeting to give pensioners at least a modest increase were rejected by Kohl and Stoltenberg.

Helmut Kohl, generally ready for support, complained about a lack of solidarity among the leadership and reprimanded some persons in the CDU who were overly concerned about their image--meaning Baden-Wuerttemberg Minister-President Lothar Spaeth. Then he pointed out to his party friends that they would not fare any better with a different chancellor. "Even if Mr X" were to sit in his chair in his stead, Kohl said, "he would be attacked exactly the same way."

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## ADENAUER FOUNDATION PROPOSES CDU POSTELECTION STRATEGY

Hamburg DER SPIEGEL in German 11 Nov 85 pp 19-20

[Unattributed article: "'We Have Something Against Weaklings'"]

[Text] Chancellor Kohl is coming under pressure from the rightwingers of the CDU, who complain that change has been far too feeble and say that what has not been done must be made up in the next legislative period. In confidential documents, the Adenauer Foundation sets objectives for the government, stating that "salient turns for change" are needed.

The protest came from a corner of the small cabinet chamber at the Office of the Chancellor in Bonn. Labor Minister Norbert Blum and CDU Secretary General Heiner Geissler were sitting together there, a bottle of wine in front of them. Helmut Kohl had admonished the two Monday [4 November] evening of last week to please not disturb the coalition talks with FDP head Martin Bangemann and his top Liberals. That is when matters got serious.

Blum asked for the floor, saying that what Geissler and he had to say was "not funny at all, Mr Federal Chancellor." Succinctly he let the FDP representatives know that what they had just proposed concerning future tax policy would "not take place."

The conflict was triggered by tax matters. The EEC is urging the European governments to align value-added tax rates as soon as possible. Finance Minister Gerhard Stoltenberg wants to take care of the change in one go as part of the big reform of direct taxes (wages, income and corporation taxes) planned for no sooner than the next legislative period. Hypocritically, the Liberals proposed that Stoltenberg be so kind as to separate the two operations.

But Geissler and Blum saw through the maneuver. Twice, the voters who were not so well off--people subject to wage tax and prolific families--would be left holding the short end of the stick. The higher value-added tax would raise the cost of living, and Stoltenberg's tax reform would be more beneficial to business than to households.



Later, before his election campaign strategists at the Konrad-Adenauer-Haus in Bonn, Geissler drew the line saying: "We happen to come to a point there where we, as a 50-percent party, have obligations that are different from those of the FDP as a 5-percent party."

Geissler and Bluem must try to portray the CDU as a people's party and also to keep the vote of the little people. This gets them into trouble with the Liberals--but, what is worse, primarily with their own party. A threat to the kind of welfare, financial and social policy which Bluem and Geissler would like to see comes from the CDU itself.

More and more vociferously, with the leaders in Parliament and of the party taking careful note, the industrial and middle-class wing of the CDU is complaining that the promised change has turned out to be too timid. The coalition, they say, in the next legislative period must make up for what has not yet been done, in line with the motto that "to achieve things must again be worth it."

The person to whom these demands are addressed is Helmut Kohl. The chancellor's optimism campaign clearly is catching up with him. Self-assured up and down the country, he spreads the message of increasing investments and gains. Negative data such as unemployment are no problem for him. Asked by journalists recently whether he was afraid of permanent unemployment of more than 2 million citizens, he replied with a clear "no."

A man like Helmut Kohl will not be shaken by worried voices stating that in his administration, as in Ronald Reagan's United States, a two-thirds society had established itself: that while about 70 percent of Germans are well off, the rest of them are fighting unemployment and a lack of prospects. Even such social injustices as Bluem often interprets as weakness are often reinterpreted as positive signs by the chancellor. "The more Norbert Bluem is described as a shooting gallery target," he says, "the more ovations he gets."

No wonder the CDU rightwingers think the time has come to sue for a real change. With scientific accuracy they are supporting a switch by the CDU from a people's party to an advocate of a pure achievement society, forgetting in the process the election defeats in Saarland and in North Rhine-Westphalia, where workers abandoned the CDU at the polls.

Bruno Heck, veteran CDU politician and chairman of the Konrad Adenauer Foundation, which is close to the CDU, recently sent some confidential mail to the Office of the Chancellor and to the ministries headed by Christian Democrats--5-page-long "Preliminary Deliberations Concerning Some Portions of the Government Program for the 1987-1991 Legislative Period."

A friendly title, but actually the experts of the "Political Academy" of the Konrad Adenauer Foundation gave their party friends precise instructions.

"It must not happen," the paper states, that the "government of the center in 1987, as in 1983, goes into the next legislative period unprepared." Even now "the most important aims for the government work of 1987-1991 must be

defined in order that the most important decisions may be made immediately after the elections." The objective: "The course taken" must be "outlined with clearer emphasis."

"The renewal of the social market economy," it is stated further, "must not stall halfway through." What is needed is "salient turns for a change...to eliminate accumulating obstacles and to smooth the way into the 1890's and the next century for our economic and social order."

The foundation's strategists assign the government and party concrete tasks for the next legislative period. These, they say, are crucial "for the survival of the Christian-liberal government."

The "actual tax reform" has first priority. The way the authors see it, it is to benefit taxpayers ranging from skilled workers earning good money up to the middle classes and big business. This comes under the heading of "greater tax justice." At the same time they want to "promote...economic growth," reducing subsidies and favored tax treatment. There is no word about where these government payments are to be cut.

The Heck helpers also take an unequivocal stand on a second--explosive--topic. "Mass unemployment," they say, "at bottom can be traced to the fact that in the final analysis management and labor need not take responsibility for their decisions but shift it to the government." (Overtones: "Labor law ties are now more solid than any marriage." The strategists demand that the obligatory nature of wage agreements be limited. Back of this lies the clear intention to weaken labor unions.

How successfully the foundation is already meddling in the politics of the coalition is shown by campaigns for amending article 116 of the Labor Promotion Law in such a way as to abolish--in contrast with last year--payments by the Nuernberg Federal Labor Institute to workers directly or indirectly affected by a strike. For weeks, Bluem has been struggling to get labor unions and management to get together. He would like a solution of this controversial problem without legislation. The Adenauer Foundation, however, supports Bluem's opponents in the FDP, employers federations and the CDU.

In October the foundation sent out an 18-page study, again to the Office of the Chancellor and CDU ministers, promoting the extreme solution of no kinds of payments from Nuernberg. In doing so, it came down on the side of 100 CDU Bundestag deputies. The FDP too, arm in arm with the Federal Association of German Employers Federations, insists that no payments be made.

The workers wing of the CDU has already warned that it will not vote for putting an end to such payments, which threatens the right to strike and the economic viability of the labor unions. The foundation takes a different view, stating: "There is an urgent need to limit the freedom of the labor struggle by law. The attitude of abstention is basically wrong because the labor struggles have a lasting adverse effect on the participants, third parties and the general public and represent an important factor determining overall economic developments."

In their handout for Kohl's next legislative period, the advisers also demand a reform of medical and pension insurance, asking for less protection by big group systems. Whoever can afford it should take out private insurance. The foundation calls this an "attack on the welfare mentality still prevailing among broad circles of the population."

This attack could be waged successfully "if the population is addressed in the proper sociopsychological manner"--under the slogan "Self-Confidence and Responsibility for the Future of Our People."

The epilogue from the Christian Democratic think tank: "The citizen must realize: We have something against weaklings and are for self-confident and grownup citizens."

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## POLLS SHOW DECLINING GOVERNMENT RATING, PARTY LOYALTY

Hamburg DIE ZEIT in German 18 Oct 85 p 10

[Article by Gerhard Spoerl: "Nothing but Uncertainty in the Ranks: The Government is Concerned with its Poor Image"]

[Text] Once again they are looking for his traces. To be sure, as of now there are only rough sketches, phantom images, but the contours are gradually becoming apparent. Investigators are clear, above all, about the mentality of their elusive quarry: the German voter is a fickle creature, he is easily excitable, he allows himself to be swayed by moods and impulses, and now more than ever, he wants to be wooed. The trackers from the different parties have forged ahead to this point. They differ only in the ways in which they approach this quarry. Here too, the Greens remain fatalistic. Of course they are concerned with asking themselves why they no longer are, as a matter of course, in the voters' favor; but otherwise they act as if nothing has happened. Moreover, the SPD has more support than had been expected. The FDP regards itself as having been rehabilitated for quite some time now and is going through its accustomed motions with a new, old, feeling of self-confidence.

It is now the Union parties' (CDU/CSU) turn to search begrudgingly for change and renewal within their own ranks. Lothar Spaeth and Kurt Biedenkopf write of this in their books which were launched on the market with much publicity. The gravity of the message is rooted more in the strained language than in depth of thought. But it is not necessarily a question of the analysis itself. What is important and what is being inferred from the books is anything that can be understood as an affront against the existing government.

Various pieces of evidence collected within the Union parties after this year's lost elections for the state parliaments point this up. A bold election analysis recently circulated in Northrhine-Westphalia, according to which the very substance of the CDU as a people's party is in danger. The authors recommend that a renewal be brought about by closeness to the people: "The CDU must be present wherever people meet, articulate interests, form opinions, where they unfold new ideas and where intellectual disputes are carried out."

Bonn's strategy of the defensive preservation of power evokes annoyance on the part of CDU voters and sympathizers. The unwavering conservative belief that only "affairs"--which means first and foremost economic and financial policy--have to be correct in the long run and the rest is only short-lived psychology, is not very convincing at the present time. In any case, Helmut Kohl meets with unaccustomed skepticism when he proclaims, as he did in the inner sanctum of his executive board, that the election of 1987 will not produce a result different from that of 1983.

Whether or not one chooses to believe the gloomy surveys, the self-assessment of the CDU after exactly three years regency in Bonn remains astonishing. Since April 1983, the election research group in Mannheim has been observing how the government and its chief actors are judged. The clear trend is that esteem for both is dwindling. This is not a fleeting emotion; since last spring, the image has been rampant of a befuddled, unsteady government that gets in its own way. In February 1985, the Federal Government received .2 in questionnaires (on a scale of -5 to +5); in April 1983, it had started out with one whole point. CDU/CSU followers still give it 2.4 points, but two years ago they ranked it at 2.7 points. It may be some slight consolation that the SPD is also regarded by its own followers with a similar lack of enthusiasm. This is a point on which all parties agree: criticism by their own followers is a serious sign--to be sure, only from the internal perspective, not necessarily for democracy itself.

The bad news is on the rise. Certainly, such "institutions" as the "ZDF Politbarometer" need not be taken too seriously. They provide snapshots, momentary, passing images, without warranty. But in Bonn, the facts and figures are diligently studied once a month. At the beginning of October, Helmut Kohl still ranked depressingly at the zero-point, Johannes Rau at a splendid 1.8 points far ahead of Gerhard Stoltenberg (1.4 points). The mood is thus not fleeting. Judging from past experience, the mood of the voters is slowly but surely developing into a basic attitude which in 1987 can help decide the outcome of the elections.

Other comparisons, too, should be taken seriously. At the present time, the voters find themselves to some extent equidistant from both parties. They lack confidence in the ability of the Union to deal with the most pressing political problems. As late as December 1984, their attitude was different, and the CDU/CSU was thought to have the advantage in terms of competence with regard to economic and social policies. Now surveys favor the SPD with regard to these issues. And only 20 percent of the electorate still remains satisfied with the government. At the same time, a realism is in evidence which can have serious consequences for the parties. No people's party, according to the surveys, would be able to reduce unemployment overnight, for example.

The government attempts to garner support by pointing to its successes. Helmut Kohl enumerates them: financial, retirement, family and alliance policies. On the scale of topics considered most important by the voters, however, reducing unemployment, peace and environmental protection rate higher--in short, the government's deficiencies are more important to the voters than are its successes.



Attention should be paid to the changes, which can be supposed to be of a lasting nature, that can be deduced from the surveys. A concept to describe these changes was found some time ago: "Stimmungsdemokratie," or democracy by mood swings. This describes the rapid swings which resulted in the CDU's receiving 45.2 percent in the 1983 Bundestag election in Northrhine-Westphalia, but receiving only 36.5 percent in the state's parliamentary election; or the unusual phenomenon thanks to which the SPD achieved an unexpected absolute majority in the Saarland. Peter Radunski, executive director of the CDU, calculates as follows: the voters are deciding in a less predictable, more unrestrained fashion. Politics is therefore inevitably becoming fitful and erratic. Accustomed to taking American conditions as a model, Radunski speaks of an "americanization of electoral behavior."

Not very long ago, the switchover voter was the political opposite of the educated citizen who carefully and reasonably weighs his decisions. The real variants of the latter are less respectable. There is the tactician who makes up his mind late in the game, taking political constellations into consideration; will the Greens be able to make it, or would it be better simply to vote for the SPD in the first place? Does the CDU need the FDP or can it manage without outside help? The numbers of those who do not vote, whether for lack of interest or because of their principles, are also increasing, as are the bourgeois protest voters who switch, for example, from the Union to the Greens.

It is less and less true that the electorate represents for the parties a monolithic mass that can be easily read. With some justification, this is a source of irritation for the people's parties. Radunski, using the jargon of political theorists: "The goal is not so much the total political integration of the voter as his mobilization for casting a positive vote on the election ballot. The ability of the modern people's party to integrate the voter has been achieved at the cost of the intensity of the voter's ties to that party." In the leveled-off middle class society, social factors, milieu and tradition are becoming less important among the factors which decide elections. The reasons why someone elects a particular party are more individual. This has brought about a change in the relation between habitual and situational voting behavior. Where previously a relation of 9 to 1 was assumed, the relation is now thought to be 8 to 2. The SPD was forced to accept the results of a study according to which the party could not expect support from more than 58 percent habitual voters, 21 percent switchover voters and 19 percent situational voters.

The parties mourn the loss of the "loyalty of the Nibelungen." They are becoming vulnerable to surprises. The more complicated and perplexing issues become, the more voters take refuge in the personalizing of politics. Attitudes towards life and lifestyles play a greater role than they did several years ago. Anyone who at least articulates concerns and needs increases in political stature. Politics should do not be something far away and arbitrary; it is also judged in terms of private concerns.

This may be regarded as a loss in terms of reasonable behavior. But at the same time, it may simply conceal an all too familiar phenomenon: in the final analysis, the voters are no less contradictory than those for whom they have voted.

## SPD PARTY MANAGER IN NRW ATTRACTS UNWELCOME ATTENTION

Munich SUEDEDEUTSCHE ZEITUNG in German 22 Oct 85 p 3

[Article by Gerd Kroencke: "The Hide-and-Seek of a Heavyweight--Bodo Hombach, the Man Who Complements Johannes Rau--Since the Victory in North Rhine-Westphalia the Land Party Manager Has Found It Increasingly Difficult To Play His Role Behind the Scenes"]

[Text] Duesseldorf, 21 October--The scene: The United States last year. A team of Social Democrats from Bonn and Duesseldorf is observing the Reagan-Mondale election campaign. The hosts, who have a predilection for persons who are suddenly upon one, are struck particularly by one man. He looks like a typical German to them: tall, broad and massive. Not like a sophisticated intellectual with glasses. And he does not even speak proper English. Nevertheless he amazes his hosts time and again. A member of the team, Volker Riegger, an election campaigner from the SPD base, says: "He has always been a little bit smarter than any of the others."

Since early this month, this man, who has always been a little bit smarter, has been in the United States again, talking with high-ranking people in the State Department and also with steel workers and miners. Former U.S. Ambassador Arthur Burns is taking good care of him, but something has changed since last year: Bodo Hombach--the man we are talking about--is a man in demand among the Americans because he is someone who can explain the phenomenon of Johannes Rau to them. A German magazine has gone so far as to try to cover the young SPD Land manager in Duesseldorf while he is in the United States--so far without success. He realizes that any popularity of his own is bound to be harmful to his man, Johannes Rau. "I do not want people to write about me," he says.

## Afraid of Castling

In the political chess game he, the rook, in the course of castling might easily be shifted to the square of the king, and after such a move the game might be over. It is not by chance that one of the opponents in the Land who has to be taken seriously lets himself be interviewed about Bodo Hombach; Kurt Biedenkopf considers him the real head of the North Rhine-Westphalia Social Democrats. If there is anyone among the Social Democrats who is well versed in politics, issues and organization, it is Hombach, says the Westphalia Christian Democrat. The professor knows how to dispense barbed praise, however. He says: "If you took that man away from Rau, there would not be much left of the candidate for chancellor." Johannes Rau and Bodo Hombach--they

could become the kind of team for which there are precedents, with the man on the way to the top relying on someone who complements him, who has skills complementing his own. Willy Brandt and Egon Bahr were such a team, and Helmut Kohl and Horst Teltschik could have been one.

On occasion this sort of casting meets the public eye. Take a scene at the party congress of the North Rhine-Westphalia Social Democrats last month, where Johannes Rau talked at length about one thing or another and once more touched on how great the election campaign had been. The "landslide type of victory" of 12 May, the minister-president said, had not been a one-man affair, and then proceeded to single out one person nevertheless by saying: "At this party congress we also have every reason to give thanks for that outstanding election campaign to Bodo Hombach and those whom he had gathered around himself."

As seen from the plenum, he is sitting at the extreme right, under a red arrow pointing obliquely all the way to the ceiling, stretching himself because he knows that speech from way back. Yet he seems to be utterly surprised at suddenly hearing such praise and bends forward, barely shaking his head. Maybe his modesty is calculated; chances are that it is. People, especially his comrades, must not get the notion that someone is a big hit. "If after an election victory any local party chairman can stand up and say that it was his victory, we did something wrong," says Bodo Hombach.

#### Intellectual Substance

There are people who have a problem with being very tall. Being 1.92 meters [6 foot 3-1/2] tall, Bodo Hombach has to look down on most people. Struggling against being overweight, he would be happy weighing 100 kilograms [220 pounds]. Since time immemorial, the Ruhr SPD [a cliché has it that the Ruhr and the Rhine are the only rivers there are] has been decried as a collection of muscle men, kindhearted and chummy without much intellectual substance. For the Social Democrats from Baden-Wuerttemberg, for example, who are better planners than election campaigners, the people from the Ruhr are as remote as the Germans are for the Americans. What amazes the sophisticated thinkers in Bonn and elsewhere about Hombach is that he comes on like their idea of a yokel. He talks a little like a hick, and yet as a rule he says something clever. "He made an impression during the very first talk," says a man from Bonn who has now known him for 6 years--ever since the preparations for the 1980 Landtag elections--"standing around and emphasizing again and again that there wasn't much he knew something about and asking whether one could explain something to him," and yet it became clear in no time at all that he had something on the ball.

In addition to Paul Leo Giani from Hesse, it turns out, Bodo Hombach is the first important SPD personage not to have advanced under the wings of party Chairman Willy Brandt.

At the party base there are also skeptics who consider the way in which he wants to win to be suspect. He is said to be thirsting for power, however often he may point out that at most he exercises power in order to shorten

discussions. On his patio he has a bust of Helmut Schmidt on a marble base. He is not one for whom the departure of Chancellor Schmidt meant the end, but unlike a number of people at the party base he does not want to deprive Schmidt of his place in party history.

His career has been a Social Democratic one. After leaving the gymnasium prematurely, Bodo Hombach completed an apprenticeship as a telephone technician, was a youth spokesman and often could be found among the leftists confronting water cannon in the second half of the 1960's. Rudi Dutschke left little Hombach one of his beautiful striped sweaters when he saw him with a laceration on his scalp. He has kept the sweater to this day. At that time it was still a question as to where the apprentice from Muehlheim/Ruhr was headed politically. After Prague he became a Social Democrat.

As a Social Democrat he astutely objected to military service. In answer to the famous park question ("You are with someone in a park at night, and there are five armed men, and you happen to be carrying a gun") he emphasized that if it came down to him alone he would of course fire. He was no pacifist, he said, and had a quick temper to boot and did not want to develop his negative qualities in the Federal Armed Forces. Probably dumbfounded, the board recognized him as an objector in the first instance.

After passing an examination for the specially gifted, Bodo Hombach attended college after all, specializing in social work at first, and became a regular social scientist. He was Land manager of the Education and Science Trade Union, confronting the STAMOKAP [state monopoly capitalism] people there. Side by side with Ilse Brusis (now on the DGB [German Labor Union Federation] Executive) he once toppled the leftwing majority by delivering a 2 1/2-hour speech, the press (his own idea) by chance not having been invited to the congress until the day after. At the age of 28 he became Land party manager. At that time the biggest Land SPD organization was a colossus without any influence. For a start, being an industrious functionary, Bodo Hombach enlisted the support of the district secretaries, writing with them a book entitled "The SPD von innen" [The SPD From Inside]. Since then he has written quite a number of things himself--a man of the alternate road of education who enjoys seeing his name in print alongside a number of theoreticians.

His wife, Ruth, a petite woman in her thirties with considerable self-assurance, occasionally hauls him down to earth when he gets too overbearing. She works as a psychologist at a family-counseling place in a workers neighborhood in Duisburg and explains to him what things are really like in society if he happens to rely too much on the opinions of experts.

He turned out to be a successful election campaigner and became more and more indispensable to his boss. It is a strange pair: Bodo Hombach, who started the race with ideological handicaps, and Johannes Rau, who remained grounded in Christianity. One reads the Moravian watchwords in the morning, the other keeps reading the story of Herr Keuner (the only decoration in Bodo Hombach's office is a postcard-size picture of Brecht). The political line of the two is identical, however: Cancellation of the most serious social injustices after assuming power, integration with the West but a search for another



America nevertheless, fight against unemployment without promising to be able to solve the problems in one go, and an attempt to bring environment and labor closer together.

But then there are the contrasts. Whatever Johannes Rau wants in detail has to be analyzed by experts, and it is rare for him to decide impulsively with whom to go along and whom to dislike. Bodo Hombach, on the other hand, complementing his master, says yes when he means yes, and quite often also no, and puts his whole weight behind it. He also is friends with people who have quite obvious peculiarities and makes it a point not to neglect one or the other enmity under any circumstances. He is not one of those party officers who carefully work on their minor careers, but rather an analytical objector. With a tactician like Land minister and Rau deputy Christoph Zoepel he has parted ways time and again, and for Federal party manager Peter Glotz, who always knows who is steering the tanker, he has long been anything but an ideal partner. Now Glotz (together with deputy Wolfgang Clement) is on a five-man team with Volker Riegger, Horst Ehmke and Bodo Hambach preparing for the 1987 election campaign.

A young man talks about age. It is of course not that easy constantly to deal with persons older than oneself and to tell them what is wrong--at age 33. "I feel older," he says, and together we figure out how old he would like to feel. How old is Johannes Rau? He is 54. Is it a coincidence that he will not drop any lower? "Yes, that is how old I feel," says Bodo Hombach, qualifying his self-estimate with laughter and thus not making it clear just how seriously he means it. "I sometimes feel mature, astute and old and quite sober--simply wise," he says. That surely is pouring it on a bit thick, and he has to laugh once more. "Then I think I don't know anything at all." And besides, when judged by others a person's qualities often are not differentiated all that carefully; persistence sometimes is regarded as stubbornness, consistency may be interpreted as ignorance, and friendliness may be mistaken for ingratiating oneself.

In our relaxed interview Bodo Hambach allows something like embarrassment--which, he says, he is guilty of in everyday political life only as a tactical variant.

For instance, in response to a question concerning his attitude toward luxury, he says that politics is not life-fulfilling for him, does not give him true pleasure. And he adds a whole list of politicians for whom politics means true pleasure. Work and responsibility, he says, are, as yet, no sources of delight for him. So he still has to rely on the offsetting effect of other luxuries. For example, it is important for him to eat well--in contrast to Johannes Rau, who continues to cultivate the image of a robust casserole consumer.

Such a person fools us into believing that in buying an umbrella the best really is the least expensive. After having lost a number of cheap ones, he does not buy one in a department store any longer but has one made by an umbrella maker in London. Explaining the problem, Bodo Hombach illustrates how he used to stand crooked when he leaned on his umbrella. The new one,



commensurate with his own height, will of course be much more expensive--so expensive, in fact, that he will not let it out of his sight anymore. An umbrella for life. Just as his camera--a Leica of course--will last him the next 40 years. Paying the appropriate additional amount, he has just traded in an M-4 for an M-6, which is even more perfect.

#### A Kind of Hero

What can still become of such a man after the Bundestag elections, however successful they may turn out? Member of parliament in Bonn perhaps, or maybe a manager, considering that he has the qualifications which are in demand at the higher levels. From time to time it seems as if he himself were unsure about what turn his life should take. The other day he asked Karl Wienand, a Social Democratic politician who was successful in the 1960's and who (did something happen?) got out at one time or other. "Tell me, Karl," Bodo Hombach asked him, "you used to be a politician, didn't you, and now you are a businessman; were you happier before?" Karl Wienand, Hombach says, told him that he was happy and content the way he was living now. "Thanks," answered Bodo Hombach; "that's what I wanted to know, that is important to me." At present independence is still vital for the young man, but as soon as he opts for one of the possible careers, he will stick to it.

Anyway, since 12 May he has not been a confidential tip any longer. Since that time he has been fighting another kind of threatening overweight. The power he has, the power only loaned to him (by Johannes Rau), must not become too evident. "All that has to happen is for Rau to pull the rug a little and I will fall on my face." The party wants him, but it does not want the kind of manager who like a secretary general constantly receives press coverage. A television film, lasting 6 minutes and definitely favorable, if anything has done him some harm, the piece forming part of a broadcast about a skimpy SPD and Chairman Willy Brandt (it was clearly noted) getting short shrift in comparison with the young man--a kind of young hero from Duesseldorf. He had been in Sweden to observe the election campaign by Palme's party, but a viewer such as Johannes Rau could have formed the impression after seeing the film "that Bodo Hombach had just won the parliamentary elections in Sweden."

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## BAHR DEFENDS SPD NEGOTIATIONS WITH EAST BLOC

Hamburg DER SPIEGEL in German 14 Oct 85 pp 104-112

[Interview with Egon Bahr, SPD Bundestag deputy, member of the SPD Executive Board and director of the Institute for Peace Research and Security Policy of Hamburg, in Bonn, by editors Olaf Peterson and Klaus Wirtgen; date not given: "'The Aim Must Be To Get Rid of the Things'--SPD Disarmament Export Egon Bahr Talks About His Party's 'Second Foreign Policy'"]

[Text] SPIEGEL; Mr Bahr, with its Ostpolitik activities, the SPD has incurred the reproach of the government parties that it is pursuing a kind of second foreign policy. Is the democratic opposition not in fact transgressing its boundaries when it goes in for treaty negotiations about chemical weapons, and soon about nuclear-weapon-free zones, with a communist state party like the SED?

Bahr: Of course not, for we are not engaged in any treaty negotiations. This alone demonstrates that the reproach misses the point. Parties cannot "make" foreign policy in that sense. They can fill gaps left to them by governments. Where there is no foreign policy, there can be no second foreign policy either.

As soon as parties have developed a prototype, their job is finished. Then governments can take over. The GDR and the CSSR, without any conditions, proposed to the Federal Government negotiations about a chemical-weapon-free zone...

SPIEGEL: ...which Federal Chancellor Helmut Kohl rejected.

Bahr: I was afraid this kind of decision would be made. That does not make it any better. On the contrary, I think it is irresponsible not to take advantage, in the area of checks, of what we have accomplished with the SED.

SPIEGEL: You have in mind the international on-the-spot checks permitted in the SPD/SED prototype in the event if there is no other way to allay the suspicion that the treaty has been violated.

Bahr: Indeed the East so far had not permitted anything like that anywhere. Such a result would be celebrated as a worldwide breakthrough in Geneva.

SPIEGEL: In his reply to East Berlin and Prague concerning a ban of chemical weapons, Kohl points to the Geneva negotiations, saying that the delegations

of the three countries should start talks there about "as yet open questions of a worldwide ban agreement."

Bahr: A worldwide ban is the excuse I have heard for 30 years for the fact that nothing is being done. And it is there that we differ on the issue. We hold the view that, in terms of aspects of security, it would be of interest to remove chemical weapons from where they can do harm--in the center of Europe. We are firmly convinced that worldwide negotiations would be furthered by a regional agreement.

SPIEGEL: Could the SPD not have spared itself the reproach of conducting a second foreign policy if it had tried to coordinate its initiative with the government in advance?

Bahr: As has become apparent by now, at the latest, that probably would not have yielded anything. Incidentally, we did not of course begin the talks on the subject of chemistry off the top of our heads but definitely talked with representatives of the Defense Ministry and with other offices. Of course we also kept the Federal Government informed. In the process, no one told us, "For heaven's sake, don't do that."

To let a year pass and then complain about a second foreign policy--that is not convincing. That has to be viewed as a bit of domestic politics or as an overture to the election campaign.

SPIEGEL: But the coalition too wants chemical weapons to disappear from West Germany.

Bahr: That is exactly what I do not understand. If the CDU/DSU of the Federal Government takes the view that the Americans could withdraw their antiquated weapons unilaterally, surely our model, with the withdrawal taking place on both sides, is in fact better.

SPIEGEL: Mr Bahr, as an opposition party the SPD is taking initiatives which go far beyond what it achieved when it was a government party.

Bahr: That is true. One must not forbid anyone to become wiser. The Federal Government is not ready yet; it does not want to take up our model of a chemical-weapon-free zone. This gives us an alternative which we would ourselves put into effect in the event we assume governmental responsibility.

SPIEGEL: Since Rapacki's time, objections have been raised to regional partial solutions in Europe--to the effect, for example, that these invariably favor the Soviet Union as a continental power over the Americans with their trans-Atlantic lines of supply.

(Footnote: 1) In 1957 Polish Foreign Minister Rapacki proposed a atomic-weapon free zone in central Europe.

Bahr: This is an objection which, if it is taken seriously, would have lead to a breaking off of the Vienna negotiations about the reduction of forces.

This of course is wrong, in my view. MBFR is also an advantage for the West, despite the fact that Soviet forces being withdrawn would be withdrawn only beyond the Polish border while the U.S. forces would be pulled back to the other side of the Atlantic. It is a lack of logic stemming from old times which measures distance in kilometers. Distances must be measured in terms of the time it takes to cover them. That enables one to relativize the geographical difference--not to offset it completely but to relativize it.

SPIEGEL: Another objection is this: One can fire into chemical- or nuclear-free-weapon zones at any time with those very weapons.

BAHR: That's true. Incidentally, that applies to the whole world. Only, it happens, nuclear weapons are also interesting objectives for nuclear weapons. In other words, if I free a zone of them, it becomes far less probable that the nuclear threshold would be crossed there. It is this plus in security that is at stake.

And we must also distinguish very carefully between a peace-stabilizing agreement and war. In the case of war all contractual agreements aimed at preventing war are finished. After this dreadful collapse of politics, basically each side is free to do what it considers right, and it will in fact do so.

That means that I cannot conclude any treaty which functions in the case of war. I can only conclude treaties which make war more improbable or even prevent it. And I am indeed of the opinion that a corridor free of nuclear combat weapons would entail greater security and greater predictability.

'Who Actually Is Talking About a U.S. Withdrawal?'

SPIEGEL: Richard Burt, the new American ambassador in Bonn, said about this in a speech in Berlin: "Those who want to overcome deterrence by creating nuclear-weapon-free zones, by the withdrawal of U.S. armed forces or by depriving the Allied Armed Forces of the ability to counterattack leave, first, Berlin and, in the end, all of West Europe to the mercy of the Soviet Union." The FRG Government agrees with that.

Bahr: The FRG government in power agrees with almost any U.S. definition. But that can be no model for me. About Richard Burt my comment is, first: The credibility of the U.S. security guarantee must not be called into question by such or similar utterances. I believe that the U.S. guarantee of Berlin can be relied on even if the ability to counterattack is limited or remains limited.

Secondly, who actually is talking about a U.S. withdrawal? The only thing the American ambassador can have had in mind is his debate at home. Here, of course, one talks only about the intention to reduce U.S. forces to the extent that (or to a somewhat smaller degree) that Soviet forces are to be withdrawn from the GDR. I have commented on the subject of regional zones. That applies to chemical weapons, to combat weapons and to troops.

'In the Case of Chemical Weapons, Hell Would Break Loose Here'

SPIEGEL: There is an important difference between the weapons systems in question. Chemical weapons are stored in East and West, but at least in NATO

there exist no military strategy procedures concerning them. On the other hand, combat area weapons are a firm component of NATO deterrence. In these circumstances, is it not quite arrogant for the SPD soon to embark on trying also to achieve an agreement about their limitation within a certain zone?

Bahr: You are right about this basic difference. It means that the subject of nuclear combat weapons is far more difficult, far more complicated. I am not at all sure whether we will achieve any result and whether this result can be given the same shape as our chemical prototype. But surely those who would be the first victims still have the right to talk about how they can get out of this situation. As for the subject of chemical weapons, let me say here: During the talks with the SED, I received pertinent remarks from people from the Federal Government telling me that if the question of checks was clear a zone free of chemical weapons was in our interest.

SPIEGEL: Can you identify those people a little more?

Bahr: Only to this extent: It is the military sector, with the remark that the defense capacity of the Bundeswehr would of course be reduced if it had to prepare against a chemical attack.

Bahr: Just why should the East be interested in a bilateral agreement considering that the Federal Government apparently would be content with a unilateral withdrawal of the U.S. chemical weapons?

Bahr: If the Americans were to exchange their antiquated chemical weapons in the Federal Republic for modern ones, all hell would break loose here. That would bring more people into the street than the stationing of Pershing II and cruise missiles. I think the Federal Government assesses the situation similarly and therefore has had a hand in seeing to it that the Americans, though producing their new weapons, will not station them here but leave them in the United States. And in order to overtrump us, there was mention of unilateral withdrawal.

'Unless We Have a Say, We Become Vassals'

I find it grotesque that one is unilaterally prepared to put away these weapons but does not insist that they also be withdrawn in the East. If that happens, the model we have worked out is only of limited value.

But from the point of view of the security partnership, the other side actually would still have to adhere to it itself even then.

SPIEGEL: The SED is not only conducting security policy talks with the SED. It is talking with the Soviet communists about disarmament for the benefit of aid to the Third World, with the Poles about confidence-shaping measures, with the Czechoslovaks about the environment, and with the Hungarians about economic policy. What does it hope to achieve with such an unprecedented offensive?

Bahr: Unprecedented, at any rate, vis-a-vis East Europe. There is much less talk about the far more numerous and more intensive contacts with Western



parties. When it went into opposition, the SPD had to decide whether it should scrap whatever credit and reputation it had gained in its years of government or whether it was possible also in the future to continue to use our influence, our statements, our arguments in working contacts in the interest of the Federal Republic of Germany. We decided that we should do the latter. From this there developed the start of a new phase of the policy of detente. To be active in that area is the intrinsic job of an opposition, which thus also prepared for taking the reins of government.

SPIEGEL: Aren't you pulling the wool over the voter's eyes? Surely an opposition has far more freedom than a government, which precisely in the security policy sector cannot take any kind of initiative toward the East without long-drawn-out processes of coordination with the predominant U.S. power and the alliance.

Bahr: That is a quite serious objection. I too have been asked by several friends: How do you plan to put that into effect, if you can? How is that to be implemented in the alliance?

At the moment I can only say this in reply: Please, do recall the four-power agreement concerning Berlin. There the Federal Republic of Germany, according to international law, has no say at all, and yet on a point where its vital interests are involved it was able to help the four powers reach an agreement. If the Federal Republic of Germany develops a vital interest in the area of security questions and obtains the consent of its neighbors for it, I am firmly convinced that this can also be put across in NATO.

SPIEGEL: Your party chairman, Brandt, of course is proclaiming everywhere that an SPD Federal Government would try to negotiate the Pershings and cruise missiles away again. Does this not mean that a nonnuclear central power is emerging there which is at best participating indirectly in the talks of the superpowers?

Bahr: If it was the case that we would have to resign ourselves to whatever happens in the way of additional armament and stationing, it would mean saying good-bye to politics. We would then cease to want to advocate our own security rights.

The aim must be to get rid of the things again, not just in this country but also on the other side. I know we are not in charge of these weapons. But, for heaven's sake, we really become objects, vassals, if we renounce the exercise of any rights to have a say in the case of weapons systems which threaten our existence. Surely we cannot say there that it is not our business, that we are not interested, and give up right away anyway.

SPIEGEL: Not only none of our business, but no mandate of ours.

Bahr: I have a mandate to concern myself with questions affecting matters of life and death as far as my people are concerned. If I reject that mandate, I can resign.

SPIEGEL: But it is only the Federal Government which follows your concrete initiatives with suspicion; in your party too, there is such a thing as

dissociation from the contacts with the communist parties of the East. For example, it appears to us that Johannes Rau, the candidate for chancellor designate, is afraid that the SPD may do away with dissociation from the communists, thereby arousing the suspicion that it is becoming estranged from the Western alliance.

'Johannes Rau Is a Man Who Is Quite Unafraid'

Bahr: I don't think Johannes Rau is afraid at all. He is a man who is quite unafraid.

SPIEGEL: Let us say: He has misgivings.

Bahr: If you mean that he has misgivings that there may be too great a proximity between the SPD and the communist parties of East Europe...

SPIEGEL: ...in the eyes of the voters whom he depends on in 1987...

Bahr: ...I am prepared to take that very seriously. I am also interested in no false impressions being created here. As I put it as early as some years ago: Whereas ruling communist parties are indispensable partners, communists remain adversaries as far as domestic politics are concerned. Internationally communist parties are competitors. And that is how it will remain. As you know, in April we will have to recall the 40th anniversary of the forcible merger of the SPD and the KPD into the SED. On that occasion it will become clear that the fact that we have things in common as far as a security partnership is concerned does not mean that fundamental or ideological differences between us and communists are being ignored or played down or that their effect is being denied.

SPIEGEL: An anniversary of demarcation from a partner in security--is that not asking a bit much?

Bahr: It is not asking much at all. When Mr Reagan meets with Mr Gorbachev, The subject will be security, and no one is going to say there is a danger of Mr Reagan getting too close to Mr Gorbachev ideologically, or vice versa.

SPIEGEL: Looking back to the time when the change in administrations occurred, we get the impression that Germany policy is the only area where government and opposition are cooperating in a positive manner.

Bahr: You can say that the Federal Government really has understood Germany policy as something that has continuity. To this extent there is far-reaching agreement. We did not have to make a turn but continued what we had done previously. It would have been foolish also to go into opposition in this area just because we are the opposition. As long as the Federal Government preserves continuity there, it will have our support. In humanitarian questions, there virtually exists a grand coalition.

SPIEGEL: But if you--in East Berlin or elsewhere--go beyond that, you conduct a second foreign policy.

Bahr: In other fields of foreign policy, that is indeed far more difficult. But there too one should not underestimate the fact that in a whole series of basic questions the basic consensus has not collapsed. Let me just mention that there is no security policy for the Federal Republic without the U.S. strategic umbrella and that we get our security only in the alliance, not outside.

When it comes to space weapons, things diverge. When it comes to a new strategy of the alliance, likewise. And the same thing goes for zones free of chemical or nuclear weapons.

SPIEGEL: But these are subjects which Erich Honecker, the chairman of the GDR State Council, certainly would also like to talk about with the government when he visits the Federal Republic.

Bahr: I am in no doubt at all about the security question really being the nucleus. It also has the highest priority. This happens to be in the interest of both states. I would be amazed if Honecker did not see that the same way.

SPIEGEL: After Willy Brandt's visit to the GDR, were you in fact in a position to tell your interlocutor in the Federal Government--Wolfgang Schaeuble, minister at the Office of the Chancellor--that Honecker continues to be interested in coming to the Federal Republic as soon as possible?

Bahr: Yes.

SPIEGEL: Yet Minister for Inner-German Relations Heinrich Windelen has warned East Berlin that all too intimate contacts with the SPD would not remain without consequences for the Germany policy of the Federal Government.

Bahr: To be frank, I don't understand what Mr Windelen means by that. I merely noted that the GDR definitely knows its onions and realizes that what it can get from the Federal Government--for example, money--it cannot get from us. Mr Windelen may rest easy; he doesn't have to give that kind of advice to East Berlin at all.

SPIEGEL: Thank you for this interview, Mr Bahr.

8790/12790

CSO: 3620/111

## NEW SPD PROGRAM INCREASES EMPHASIS ON MARKET ECONOMY

Hamburg DIE ZEIT in German 15 Nov 85 p 23

[Analysis by Klaus-Peter Schmid: "Without Provocation and Narrow-Minded Ideology: A 112-Page Compromise Between the Factions of Social Democracy"]

[Text] For the Federal Association of German Industry (BDI), the problem is crystal clear: "State patronage, performance-limiting redistribution as well as growth- and technology-limiting regulation of the economic process--these are the actual core elements of the SPD economic program which has now been published."

In fact, HANDELSBLATT quipped: "Rarely has a store-minder been so cleverly re-packaged and fashionably draped as has the proposal of an alleged new SPD economic program."

But in leftist ranks criticism was also heard. Ex-Minister Helmut Rohde criticized the lack of clarity: "Global economic cycle barometer German language with lightly flowing hopes and general expectations does not suffice." And the Young Socialists felt: "How the SPD intends to shape the future with this concept or even how it is to survive 4 more years of government politically remains a riddle of commission."

The 112-page paper is headed "To Renew the Economy Ecologically and Socially." On next Monday, the SPD party leadership will deal with this document in order to then open a debate "to which all those who do not permit their horizons to be blocked by narrow-minded ideologies" are invited, according to leadership spokesman Wolfgang Clement.

Since December of last year, the Economic Commission of the party has delivered working papers by the pound. In six working groups, tendencies and opinions clashed and the deputy faction chairman of the SPD, Wolfgang Roth, finally edited the document with the assistance of some fellow combatants; the document is expected to continue at least the economic part of the Godesberg program of 1959.

## Functioning Marketplace

The result of months of trench warfare is primarily one: the further turning away of the SPD from ideological positions. One searches in vain for traditional socialist vocabulary such as class struggle and redistribution, nationalization and economic planning, investment guidance and destruction of monopolies. The party, which 26 years ago dared to take the decisive step toward a market economy, would like to continue along this path a little longer.

Berlin professor Hans Juergen Krupp, one of the motivating forces of the undertaking, defined the central point as follows: "The SPD today includes many who are still more critical vis-a-vis the state and the possibilities of state control than they were at the time of the Godesberg program." Krupp attributes this to the government experience of the Social Democrats which, at least implicitly, was brought to bear on the proposal.

The much-cited central phrase of the Godesberg program was the "genial formulation of Karl Schiller" (Roth): "Competition to the extent it is possible--planning to the extent to which it is necessary!" Today, it is said that "the market is essentially the motive factor and the control principle for countless individual decisions. It prevents the ossification of structures." Plans from above are no longer requested; because "a functioning market economy with its multiplicity of private, cooperative, and public forms of ownership is vastly superior to all other forms of economic control."

The adjective "functioning" is not here by accident. Because what continues to drive the comrades is the question of the capability of competition to function. According to their convictions, the market economy has a tendency "to limit or eliminate competition." As a counterrecipe, a "capable competition policy on the part of the state and assurance of market access for new entrepreneurs" is recommended.

Specifically, this means that the much-celebrated purchase of other industrial enterprises by Daimler-Benz is anything but an "entrepreneurial major accomplishment." This is so because it creates concentration and power, which latter always stimulates abuse and in general makes access to the market more difficult. Even Krupp, who heads the German Institute for Economic Research (DIW), sees it in a similar manner: "The general covering thesis that only jumbo enterprises are capable of survival, this I consider not to be tenable."

And so, the central slogan in the next basic program could be: "As much state intervention as necessary for as much competition as is possible." And with such demands, the authors of the proposal are joining a long tradition which leads directly to the Freiburg School of a Walter Eucken.

However, during the practical implementation of this postulation, old well-known terms from the left corner do crop up, such as the preventive merger prohibition for purposes of competition or the possibility of the development of market-controlling enterprises. And the old demands to "push back the power and influence of the banks and insurance enterprises" are right away garnished with a whole bundle of corrective measures.



A "democratic control" is being called for with the employment of the new technique. In clear text, this means: expansion of the right to codetermination "on an overall economic basis, within the enterprise, within the establishment, and at the workplace." Not exactly a minimum program, particularly considering that demands for participation on the part of employees in the results of production are added. But even here, an opening of the left cannot be overlooked; more state- or trade union-administered funds are not demanded, but rather the individual creation of wealth--this in itself is coming up in view of the fact that wages over the next few years will probably not yield much.

Naturally, such incursions into the economic structure are not too effective and the SPD planners want to "guarantee the right to work for everyone." Consequently, they presented two specific projects:

- i. the "social alliance of work for all" with the battle against unemployment;
- ii. the special "wealth of area of work and environment" to maintain natural living conditions.

The latter was already introduced in April 1984 for the first time. It foresees the undertaking of environmental investments over 10 years, independent of annual budgetary allocations and constraints. Around 20 billion marks are to be sought in the capital market and to be financed over 20 years by a tax on energy consumption (environmental penny).

The slogan "Work for everyone" conceals the conviction that the Federal Republic is much more of an industrial society than the comparable people's economies and thus has a lot of catching up to do in the area of private services and infrastructure. And in order to create workplaces in this area, such a "social alliance" is being sought after.

Here, the Social Democrats are treading on uncertain terrain. Once more, "those who earn more" are to come up with the solidarity contribution, some 55 billion marks per year. The fathers of this thought demonstrated almost suicidal courage by naming two groups by name: the higher-income groups in the public service and the recipients of interest income who have, thus far, been cashing their gains, bypassing the tax collector.

However, in this connection the provocative words "employment program" are being avoided like the plague. For good reason, as Roth assures us: "When the German citizen hears it, he first thinks of debts. This is why I did not use that concept." He would rather speak of an "employment-oriented structural program."

By way of explanation, the proponents of this idea borrowed from a program which the Social-Liberal coalition passed in 1977 under the title "Program for Future Investments." It encompasses more than 16 billion marks. Professor Krupp commented on the success of that program: "To say that it resulted in nothing at that time is nonsense." Nevertheless, the number of unemployed between 1977 and 1979 decreased from 1.03 million to 876,000.

Yet another concept from the Social-Liberal government period is being resurrected: universal taxation. Ex-Finance Minister Apel defines it as the "harmony of the financial policy of the Federal Government, of the economic policy of the Federal Government, and the monetary policy of the German Bundesbank." This is primarily a criticism of the Bundesbank which (at least the SPD is so convinced) has oriented its monetary policy in too one-sided a manner toward the goal of monetary stability and has thus, in the last years, counteracted the employment policy. Therefore, Apel is demanding: "Universal taxation policy must...become much stronger in its pursuit of the thus-far failed goal of full employment."

#### Missing Answers

Despite the programs, ideas, and concepts: The proposal fails to answer, with respect to many points, how well-sounding concepts are to be transformed into concrete policy. Thus, Deputy Michael Mueller, from the left wing of the party, is "not clear as to which economic policy course the SPD will adopt."

Christoph Zoepel, the transport minister of North Rhine-Westphalia, brings up a much-disputed point as deputy for many other questioners: namely, the new leftist growth ideology. He feels it is not "qualitative" enough and is inadequate to promote the reduction of unemployment before the next economic downswing which is to be expected at the latest within 2 years. Zoepel would like to stress, instead, the "just distribution of the entire social product." In good German, this means: redistribution.

At the consultations, ecologically oriented Erhard Eppler wanted to banish the concept of growth entirely from the program. And Deputy Young Socialist Chief Uwe Kremer missed the clear call for a 30-hour week and criticized the "idealization of competition."

In the final analysis, the "realists" prevailed over the "fundamentalists" in the program commission. The fact that such trench warfare has a long tradition among comrades in the SPD is attested to by the long interval following Godesberg. On the occasion of the first postwar party congress in 1946 in Hanover, there was already a hefty controversy regarding the question as to whether a fundamental program was even necessary. Kurt Schumacher was against it and prevailed with his opposition. The economic portions remain more or less classical in their definitions: Socialism means socialization, in other words, public ownership of the means of production.

In 1948, at the party congress in Duesseldorf, the SPD leadership was ordered to constitute a program commission. In the proposal, which was ready 1 year later, economic questions were virtually absent. The debate with regard to the strategy of socialization and the establishment of a socialist planned economy remained on the intraparty level. Nevertheless, advanced thinkers such as Victor Agartz wanted to install "market economy elements of competition." When the SPD became the opposition party in the 1949 Bundestag, it did so "with the certain assurance that neoliberalism and the social market economy will fail" as Braunschweig professor Gerhard Himmelmann stated. Even when Ludwig Erhard's recipes began to take effect, the Social Democrats were still quarreling about a socialization law.

Nevertheless, in 1953, the party leadership withheld this proposal because it feared that its election chances could be diminished by it. Only after the SPD again clearly lost the elections it was left with no other choice but to part company with its prewar truce. Under the leadership of Deist and Weiser, the discussion took a new direction, the concepts such as private property ownership, market economy, and competition were not discarded in advance. By the 1958 party congress was held, only Kohl was left on the list of industries to be transferred to community ownership.

Old Marxists such as Wolfgang Abendroth then voiced their lasting opposition when the Hamburg economic senator and professor Karl Schiller acquainted his comrades with a man by the name of Keynes. His point was "to liberate the SPD from the odium of a centrally managed economy, of the command, compulsion, and crisis economy" (Himmelmann). However, Schiller then added to the vocabulary of the good socialist such concepts as full employment policy, increases in productivity, and performance principles.

At the party congress in Berlin in 1954, it was decided to finally work out a fundamental program, but no one was in a hurry to do so. A 34-man commission was constituted in March 1955 and yet the subcommittee for "economic and social policy" did not begin its work until May 1957. Primarily Heinrich Deist and Willi Eichler then attempted to publicize the program proposal among the party rank and file at more than 300 events--the program proposal was the first since the Heidelberg program of 1925.

The proposal was several times reworked until November 1959, when the party congress, which was being held at the Godesberg town hall, approved the final text 324 to 16. And when the critics sneered that the SPD had become the "left wing of the Erhard brigade" and had, with Keynes' help, overtaken the neoliberal theory on the left, then Godesberg had really been something else in reality: an orientation toward economic reality and "the renunciation of any kind of dogmatism" (Willy Brandt).

Yet the dogmatists continue to be heard--something which will be demonstrated at the economic policy congress of the SPD which has been convened for May of next year in Hamburg. Thus, Hans Apel expects a hefty disagreement "with certainty" because "this program includes a very clear declaration of loyalty for the market economy and for competition.... We wish to continue the development of our economic order and there are surely Social Democrats who think otherwise."

Wolfgang Roth is a little more moderate. The text is a compromise between the party wings, there was not a single need for a vote during the preparatory debates. "The proposal covers a broad spectrum in the party," Roth's fellow combatant Hans Juergen Krupp says. Yet, his prognosis does not sound exactly convinced: "I would suspect that the text is capable of consensus to a relatively high degree."

5911

CSO: 3620/97

## SPAETH'S BOOK OFFERS OPTIMISTIC VIEW OF HIGH-TECH FUTURE

Frankfurt/Main FRANKFURTER RUNDSCHAU in German 8 Oct 85 p 5

[Article by Peter Henkel: "He Considers the Society of Conflict Over With: Lothar Spaeth and His Book 'Wende in die Zukunft' [Transition into the Future]: Reproach for Ludwig Erhard"]

[Text] As with most authors, there were a number of motivations for writing this book. Lothar Spaeth had just come from the Frankfurt Book Fair and was thoroughly irritated by the numerous prophets of doom who were offering their future pessimism there, just in time for the Orwell year of 1984. It was necessary to fight this, particularly since the chief minister of Baden-Wurttemberg had long had an itch to put his long-range ideas in connection with this down on paper (and thus to positively differentiate himself from his party colleagues ruling in Bonn, whom Spaeth finds painfully lacking in ideas). And when Spaeth told DER SPIEGEL chief editor Erich Boehme about his book plans, the racy idea of realizing these plans in cooperation with the news magazine was raised: On Monday, Rudolf Augstein personally presented Lothar Spaeth's book "Wende in die Zukunft" to the public in the nation's capital.

True to form, the Hamburg publisher took out advertisements for the 288 page work as early as last week--as a sort of gauntlet in print, which the ambitious Swabian prince is throwing down to the unpopular King Helmut on the Rhine. And yet a warning goes out to those who look forward to such SPIEGEL shadow-boxing. It is true that on the back cover there is the provocative claim, intended to boost sales, to the effect that the book is "a program for Germany" and in the jacket blurb Spaeth comes across as an advocate of a transition "that is truly deserving of the name." However, the book itself is nothing at all more than a quarrelsome way of passing time.

As even the dwindling number of his detractors are forced to concede, Spaeth comes right to the point. Besides his wealth of knowledge, there is also a certain amount of lifeblood that has flowed in from a man who has been induced by the pressure of problems in his office to no longer see politics as it was earlier, as merely a game of the self-realization of a competent nice guy. As the book shows, the one-time merry man of deed has conclusively become the almost missionary man of conviction. With the zeal of the converted, his



thinking revolves around that which he calls the issues of the future, in which he sees the new technologies playing a central role.

For him, these issues are the be-all and end-all, the all-decisive challenge not only to industry and trade, but to society as a whole. They are coming upon us, but instead of as a curse, as a blessing that is only waiting to be applied to human labor, environment and culture. At one point, they even appear to be a listing of the world spirit: "At the moment when the complexity of the world begins to exceed human powers of comprehension and control," Spaeth ventures in an unusual role as a cultural philosopher, "evolution provides artificial aids. Because biological adaption is not possible in a short period of time, evolution gives man intellectual tools with which to avoid excessive demands that can be life-threatening."

As much as Spaeth tries to avoid the impression that he is obsessed with technology, he cannot conceal the all-too-often uncritical enthusiast in himself. While he makes nothing but pleasant associations with new equipment and methods of energy conservation, warnings of dangers are passed over or dismissed out of hand as "demonization." He does rightly complain that opinion-forming forces have thus far tended to stay clear of the topic of new technologies. On the other hand, no one is drawn into the debate who dictates its outcome as imperiously as Spaeth. For example, in the issue of the video boom, the author rather lets it be known that he considers discussion on the so-called acceptance of technological developments to be basically pointless and even time-consuming to a harmful extent: This because people have been using these technologies for a long time while smart alec people with misgivings are still racking their brains about the risks involved, and because the triumphant march of microelectronics is at any rate not stoppable and has in fact been missed out on at the expense of our ability to compete on the world market. The fact that this last argument still signifies a solid amount of abdication of politics is either not perceptible to Spaeth or it does not bother him.

The outline of his position remains to a certain extent idyllic. The deputy CDU chairman criticizes the superficiality of the media and of politics as usual; otherwise he appears to basically have local conditions straightened out. He considers the social question to be as much a thing of the past as the contradiction between capital and labor. Quite like his orthodox admirers, from whom he usually disassociates himself, Spaeth sees in the market place "a reliable mirror image of societal and individual needs and desires." To him, entrepreneurial despotism is a phenomenon of the past, and people are efficient, willing to learn, open to new things--they too are only waiting to be truly challenged.

Against this background, Spaeth subsequently declares the "society of conflict" to be over with. Its replacement should be the "society of reconciliation," and at long last the "shaped society" of Ludwig Erhardt makes its appearance here: everyone is voluntarily in the same boat, each person reconsiders his own strengths and at the same time helps out his weak neighbor; individuality and flexibility are the magic words of tomorrow. Spaeth signals the death knell for interest groups, especially for labor unions, if they do not abandon their rigid collectivism.



It is indeed the temperament of this highly successful previous administrative inspector that makes him see only the strong and the weak and blinds him to the millions between the extremes that are threatened by doing away with solidarity. The "Program for Germany" of the angry young man from the Neckar is certainly worth reading; it is deserving of contentious debate--on those questions that it does not raise.

12271

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## BONN RESEARCHERS STUDY GROWING YOUTH INTEREST IN GDR

Hamburg DIE ZEIT in German 18 Oct 85 p 4

[Article by Carl-Christian Kaiser: "Curiosity about the Other State: More and More Young People Travel 'Over There'"]

[Text] Bonn, in October.

Under the linden trees, the East Berliners scream at visitors from the West, begging for a piece of bread: Detlev Kuehn of course uses this image as a grim exaggeration, but he knows what he is talking about. Detlev Kuehn is president of the All-German Institute in Bonn and by virtue of this position he is familiar with the cliches and prejudices that accompany not a few West Germans on their visits to the other part of Germany.

The group before which he described this bizarre caricature was also knowledgeable on the subject. It was composed of representatives of the political foundations which are closely related to the established parties and which have an appropriate patron: Friedrich Ebert for the SPD, Hans Seidel for the CSU, Friedrich Naumann for the FDP and Konrad Adenauer for the CDU. At the headquarters of the Naumann Foundation on the Margarethenhoehe in Siebengebirge near Bonn, they gathered last week at a special conference concerning "education with regard to intra-German policy"; the Ministry for Intra-German Affairs was also among the participants.

Kuehn told them nothing that they did not already know. They were familiar with the stories: for example of parents who oppose class trips to the GDR because they envision their children arrested; of school children who return horrified from an excursion to East Berlin because everything there is so gray and shabby. In their seminars and conferences, the participants must deal repeatedly with the stony ground in which prejudice takes root: with the widespread ignorance concerning the other German state and its inhabitants, an ignorance that often enough is based on a refusal to even begin to think about it. It was reported that sometimes even outright hostile feeling are encountered, although this is usually true of people who tend to right-wing extremism.

But this is fortunately only one side of the coin. On the other side, interest in German-German matters is rising. Intra-German Minister Heinrich

Windelen reported that, based on the results of a questionnaire, three-quarters of the young people surveyed complained that they learned too little in the schools and elsewhere about the GDR. Other studies also indicate that curiosity is on the rise. If for many years at best one-third of the citizens of the FRG followed developments in the other half of Germany with great interest, this figure has now risen by 50 percent. According to Kurt Plueck of the Intra-German Ministry, especially the number of class trips to the GDR has recently increased to a degree "that had not been anticipated." Last year, around 36,000 young people, and not only school children, took part in information trips that lasted longer than one day. In the GDR there are already problems with adequate accommodations.

Is a sea change in the offing? And if this is actually the case, what are the underlying reasons for this development? Such questions remained open on the Margarethenhoehe. For the time being, there are only indications. Director Plueck mentioned a still uncompleted demographic study, the initial results of which point to a "new sensibility" with regard to the German question. An instructor from the Ebert Foundation discussed the fact that young people regard the missile madness in East and West as a threat to all-Germany, as it were; on the other side, too, interest is growing in German-German relations. For the time being, it appears as if there is simply a need to fill the basic information gap: how was it possible in the first place for Germany to be divided?

During visits the problems often emerge in details, even if they often are of a very basic nature. Class trips and other kinds of trips have their own dialectic. It is well known that quick visits, an afternoon in East Berlin, only strengthen cliches. This is a phenomenon very familiar from international tourism: peeling facades, decaying town centers, dismal window displays confirm the image that travelers bring with them. The visible accomplishments in terms of reconstruction fade into the background.

Or perhaps this is not the case? Although the experience of the differences here and there often came as something of a shock, according to a report given at the conference the first visit nonetheless led not infrequently to follow-up visits, in order to find out why the other German state is really so different from one's own. After all, only repeated visits can lead to any real understanding. Even curiosity as to "the other way" is sometimes a motivating factor. And parallel to this, interest is growing in becoming informed by means of books, in school or at seminars sponsored by the foundations. This results in the ability to differentiate: on the one hand, there is the state, the "system," and on the other hand, there are the people, the fellow-countrymen, who, something that comes as a great surprise to many, are also true Germans.

To be sure, the realization of existing dissimilarities can also lead to the ruling out of any notion of reunification, or at least to excluding the possibility as being unrealistic, with the German question no longer regarded as "open." To the same extent, the appreciation of one's own state can grow, the tendency to a final "self-recognition" of the Federal Republic in contrast to the temporary nature postulated for it in the Basic Law. It was not only the Frankfurt historian Alexander Fischer who cautiously touched upon such

thought-processes in his talk. They can hit home even more effectively because the Constitution's call for reunification is often not known to young people.

Reliable conclusions concerning such changes in awareness, which would fundamentally affect at least the constitutional foundations of Bonn policies, are not yet available. At the present, only the first signs are evident. Yet against this backdrop another indicator is becoming increasingly important. Basing his conclusions on a study of the reactions of West Germans to the wave of emigration from the GDR that took place in the spring of 1984, Prof. Volker Ronge of Wuppertal wrote: "In the relationship to the other Germans in the GDR, especially in the case of young people born after the war who have never experienced a unified German state, a humanitarian perspective is becoming increasingly obvious, replacing a nationalistic orientation." It therefore seems questionable to him whether young people will still hold to the "traditional political reunification program."

Purely human points of view thus taking precedence over nationalistic viewpoints? The other Germans "merely" as fellow countrymen for whom things are not going quite as well? And instead of the thought of reunification in any kind of form, increasing recognition of the Federal Republic especially by young people, who often harbor reservations concerning their state? In the final analysis, does this development in relations between both German states result in increased alienation or in a relaxation of tensions and a more unconstrained building of bridges?

In any case, the foundations that are affiliated with the political parties are concerning themselves more than ever before with the German-German question. Thirty seminars on this topic were recently given at the Naumann Foundation, according to Hamburg professor Ingo von Muench, deputy director of its governing board. Siegbert Heid, who heads the Department of Political Education at the Ebert Foundation, put the number of seminars dealing with Germany policy in terms of the total program offered by his institution at 20 to 25 percent. The number of excursions is rising for all of the foundations.

Like seismographs, the foundations provide evidence of this trend. And although the accents may vary from foundation to foundation, their work no longer deals with a comparison of the price of bread or the availability of bananas. Interest extends to a much deeper level. Certainly this will contribute to eliminating situations in which West German luxury busses travel through the GDR as if they were driving through an exotic country, with GDR citizens feeling like "apes in a zoo" during these visits and sight-seeing trips, as one GDR emigre put it at the Naumann Foundation. But what will all of this finally lead to: a heightened awareness of commonality, more pressure in this direction, or greater resignation with regard to those issues which divide? The seismographs do not yet indicate the answer with any great precision; the soundings have not yet reached such depths. But nonetheless, at the foundation conference a shift became clear which could very soon become evident at the political surface.

12792

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## EAST BLOC EXPERT ON CP CRISIS AND NEW LEADERSHIP IN MOSCOW

Helsinki SUOMEN KUVALEHTI in Finnish 1 Nov 85 pp 58-61

[Article by Arja Piispa: "Far-Sighted Rastas"]

[Text] East Bloc trade veteran, industrialist Kauko Rastas, 60, is concerned over the fact that the split in the Finnish Communist Party has occurred at the same time as major changes of leadership in the Soviet Union.

"Those who led the country for decades know what Finland and the Finns are. As far as they are concerned, let them quarrel in peace. But the new leaders do not yet know us. This means work for us," he said.

"This is indeed terrible!" Kauko Rastas sighed. "Soon I will have been working two shifts without a break for 2 weeks running."

He acted as though he were lecturing. "If a lot is not enough, we'll do a little more." This is Polar's operational philosophy.

The chairman of the board of the Polar Companies does not, however, receive double wages, we hear, but "a hundred markkas" from the cashier when he asks for it. So far, they have always given it to him.

He had spent the previous day and most of that night in the company of our Soviet trade partners. The industrialist was willing to speak of the significance of personal relations and the importance of creating new ones.

"About 10 years are spent on the first class," he said. This explains why we Finns are more successful in the East Bloc trade than the Swedes are.

"We are not so quick to say that we are friends. If we are, then we really are. Neither rains nor winds can shake that conviction. I believe that we Finns will succeed in the Soviet trade in the future too. We get along with one another. We think in the same way about important matters."

A moderate amount of pride in his voice, Kauko Rastas told us that there were many prominent persons in Moscow who said to him: "When you visit here, don't forget to look me up."



"They don't say that to just any old bum. It means that we have things to say to one another."

#### Finland Is Just One Small Neighbor

Industrialist Rastas has headed the Polar Companies for over 20 years and the board of directors of the Finnish builders combine, Finn-Stroj, since its founding. He has been a representative of the builders on the Economic Commission since 1980. He is a pioneer in construction exports who has generated huge construction projects for Finns with our eastern neighbor through his skills and personality.

He is still of the opinion that we must be active. We must look for and find new forms of cooperation.

"In the work load Soviet leaders carry one little Finland is very quickly forgotten if we are not ourselves active. There is enough work there for the president of the republic, but there is enough there for the rest of us too."

The change of leaders in Moscow does not in itself worry Rastas, but he admits that he misses many of his friends who have recently retired from office, especially long-time Foreign Trade Minister Nikolay Patolichev, a good-humored fellow and good mixer and a brilliant negotiator.

In the Soviet Union retiring from office is such a total affair that one participates in nothing thereafter. That is precisely why there is no opportunity to meet with old friends.

Rastas does not remember having met the new foreign trade minister, Boris Aristov, but if he is as pleasant a man as Minister Arkhipov, Patolichev's successor in the Economic Commission, the kidding and singing together will not come to an end now.

The members of the Economic Commission had an opportunity to hear Arkhipov's fine singing voice as early as during that minister's first trip to Finland. Rastas and Arkhipov's duet performance of Oskar Strok's tango, "Sertse" (heart) would have been good enough for any stage whatsoever.

#### The Tango, "Sertse," and the 13th Appendix to the Kostamus Contract

Many living legends about Kauko Rastas and the "Sertse" tango, as well as about the "Rose of Kotka" and the "Partisans Waltz" are in circulation, at least among Finnish and Soviet cooperation partners.

Bubbling with laughter himself, he told us the story of how the "Sertse" tango became "Appendix 13" of the Kostamus contract and part of the singing industrialist's standard repertory.

During the tough final negotiations for the Kostamus contract there was a point at which no one had anything to say. The Russians started to hum a pretty tune. It caught on with the Finns and soon they were humming along with

them. An agreement resulted and, to conclude it, the negotiating partners were invited to lunch at Kalastajatorppa. The guests arrived nearly an hour late without in any way explaining their delay. But when they got to the coffee, the Finns heard why: "It was a little hard to get Appendix 13 together."

It was handed to Kauko Rastas in a red binder. It was a Finnish translation of the "Sertse" tango. George de Godzinsky was found to copy the music and Auvo Nuotio to translate the lyrics into Finnish.

It became Rastas' task to deliver the song at the first anniversary celebration of the Kostamus contract. So he sang it for President Kekkonen and Prime Minister Kosygin on the train on the trip from Kostamus to Petroskoy.

"These are those joy pills that come with a tough job," he laughed content.

In the management of a big construction business, what fascinates him is that no one day is like any other. In fact, in his opinion, the work is so exciting that one ought to pay to do it, not get paid for doing it.

Big Project for "Our Relatives," the Mari

"There's always been competition, in the East Bloc trade too," Rastas reminded us. "The Soviets know prices and are tough buyers."

In spite of this, Finnish builders intend to continue to be successful in competition. Right now 10 agencies are composing a Finn-Stroj bid for a big project, the construction of a cellulose complex and a town on a bend of the Volga in the Mari Republic where Finnish industrialists were treated just like relatives on the visit they recently made there.

To be built in the forest like Kostamus, the Arda project will mean work for at least 2,000 Finns before the decade is out.

"We intend to get this project!" Rastas said resolutely. They intend to beat other bidders in competition with them in terms of price and know-how.

"We are the best in the world. Not one whit less than that. The Finnish carpenter is a world champion in his skills. Their wages are high, but these boys are worth it too."

Rastas finds that the fact that they have been accepted to join teams of European and American technicians that are offering their services to the Soviet Union, which is raising its technological level, is also reason to be proud of Finnish builders.

In problems involving construction, technology developers received suggestions from the Soviets to turn to the Finns. Right now a half a dozen projects worth many billions of markkas are in the bid planning stage. These projects are so-called foreign exchange projects which will be implemented outside the bilateral trade system.

"We now have a considerable lead over competing builders because people have confidence in our skills, but it will be quickly lost if we are unable to handle deals," Rastas said.

#### Unnecessary Zeal in Bidding Competition

"We're stupid!" Rastas exclaimed, when the subject of Finnish builders' zeal in connection with bidding competition for the East Bloc trade was raised.

"Last year we employed maybe 150 million markkas for bids and really got only the Viipuri project, which is worth a billion markkas. Bids exceeded construction potential by five or six times."

According to Rastas, the Soviets too marvel at Finnish builders' stupidity. "But what can you do when everyone hopes and believes that there will be room for his own project in [our export] volume. We have the capacity. That's why everyone is so eager."

"I've tried to restrain their zeal, but what's the result: Moscow's machines are full of Finnish builders!"

Perhaps the large sums of money that construction companies have succeeded in snatching through their East Bloc trade because of favorable foreign exchange rates have increased their eagerness.

What have they done with their money other than buying land and building rights, real estate and hotels?

"They've created construction," Rastas replied. "A company like Polar cannot make it merely by waiting for requests for bids. We study what it pays to build where, design it and build it on the basis of the principle of for immediate occupancy."

Several hotels, among other projects, have been produced in this way. As a builder of hotels, Polar is an expert and Europe's biggest.

Wouldn't there also be a need for rental apartment buildings? Why aren't they being built?

"We've built them too, but mainly for our own personnel. More of them should be built. I am of exactly the same opinion. But regulations prevent it. Consuls, look in the mirror!"

"Must One Live in Munkkiniemi?"

Rastas believes that Helsinki's rental housing shortage would be eliminated in 5 years if tax and other regulatory obstacles were removed.

"There is no housing shortage in this country," he said, "but students and young people in general are really in a fix if they don't have money for their own apartments. That's why we have to do something!"

For example, reduce the price of housing?

According to Rastas, that is impossible. "Those poor devils really pay so much. Construction is expensive and there are hundreds of cost factors."

According to Rastas, lot prices in Helsinki and through them those of apartments too are certainly overpriced. And builders are to blame for that too. They want just a certain lot and compete for it at enormous prices.

"But must one absolutely live in Munkkiniemi?" he wondered and, laughing, admitted that he lived there himself.

"If someone can afford to want a certain address, let him pay for it!"

This year there has been more construction in Finland than anticipated. Nevertheless, a couple of hundred construction firms have already gone under. Are the big ones eating the little ones' last provisions?

"That's not it," Rastas denied the suggestion. "The big ones' share of the market (the four biggest now 40 percent and the 10 biggest over 50 percent) is the result of a natural development. When people to carry on the work cannot be found for family companies, which construction businesses generally are, the firm is sold or closed down. We too have bought them.

"The small ones are able to compete and the big ones too; the medium-sized ones have the hardest time. They don't have the flexibility of the small ones but, on the other hand, they do have all the fixed costs of a big firm."

#### Polar's Children Round the World

The Polar combine is one of the four largest construction businesses in the country and one of the most successful these past few years.

This year its sales volume came to about 3 billion markkas. About 10 construction industry subsidiary companies, about 10 others and about 20 so-called entrepreneur companies belong to the combine.

The entrepreneur companies are Kauko Rastas' favorite children. In his opinion, there would easily be room for about 50 of them under Polar's wing.

As enthusiastically as he would to a person about investments, he spoke of his company's philosophy, which supports a spirit of enterprise: "We're so crazy that we compete with ourselves."

Actually, the entrepreneur companies support Polar's activities. Through small local enterprises it gets into market areas which it would otherwise have no business being in, for example municipal construction. Renovation is also more of an affair for small enterprises and its share of the construction pie is constantly growing. It now already accounts for about 20 percent of the total construction volume.

The idea behind an entrepreneur company is simple: The builder invests 10 percent and Polar finances the rest. The entrepreneur receives the advantages of a big company with little capital. If he is successful, he can redeem more shares. He makes his decision independently and is held accountable only if he is unsuccessful. But then he is responsible for his share "down to the last pipe section."

"If Mansukoski had not refused, I would say that this is a construction industry K-kauppa "[privately owned consumer store] , Rastas said.

"They are mighty businessmen! They work day and night, their wives and children as well. And they will certainly succeed."

That is, just like the K merchants and Kauko Rastas. A 25-hour day is not an impossibility for him either.

"A Pretty Good Carpenter"

"Kauko Rastas is a workaholic," they say. And he says so himself too. Furthermore, he is proud of it. Nevertheless, he maintains that he will give up his chief managerial duties at Polar sometime next year.

"I've pulled this sled for 33 years. Now I'm thinking of making this decision," he said. But no one believes that he will slow down his pace because of that or that he will work less at Polar.

"I won't disappear anywhere," he admitted. "People can come and ask me [for advice]. And I may, of course, come here for coffee," he spread out his hands in his big, handsome office which his architect son, Matti Rastas, designed and in which the rocking chair with its sheepskin given to him by the staff will wait for a calmer sitter.

"I am not one to be beached--on a blanket! Ha, ha!"

The farmer in him draws him to his own farm at Tenhola and the "pretty good carpenter" in him, taught by his father, to the handle of a hammer and a bag of nails.

"There is otherwise a devil of a [good] quality in this kind of managerial position, namely that you yourself know how to build," he boasted. "You don't have to ask others how to do it."

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CSO: 3617/27



## TREHOLT'S DEFENSE COUNSEL CORRECTS BBC REPORT

Oslo AFTENPOSTEN in Norwegian 18 Nov 85 p 4

[Article: "Strong Reaction by Treholt's Defense Counsel to BBC Program"]

[Text] Arne Treholt's defense counsel, Arne Haugestad, reacted strongly to some of the facts which were broadcast about his client in the BBC program, "The Year of the Spy," which was sent out Saturday evening. In a report, Haugestad writes:

"In connection with the BBC program, 'The Year of the Spy', which was broadcast on Norwegian television on Saturday, 16 November, it was asserted among other things that Arne Treholt allegedly gave very important information concerning NATO's warning chain, SOSUS, to the Soviets. This is without foundation in the facts of the case and the verdict of the jury.

"During the period 1973-79, Arne Treholt did not have access to NATO information without it having been generally available to the public. He did not participate in, or later become informed concerning, the conditions respecting which the program was involved. During the period 1979-82 when Arne Treholt served on a United Nations delegation, he had no access to sensitive NATO information. His assigned area was economic and social matters connected with the United Nations. The facts--which were broadcast in the program concerning important information for Foreign Minister Gromyko in connection with his speech in the United Nations--must have their origin in the BBC having received a greatly distorted presentation of Arne Treholt's confidential statement to the police.

"On his own initiative, Arne Treholt has clarified his conversations with a Soviet diplomat in connection with Gromyko's speech. His explanation provides no basis for the conclusions which were made in the program that Arne Treholt had familiarized Gromyko with the sensitive information.

"There is no other basis for this speculation other than Arne Treholt's own explanations.

"Arne Treholt first received a security clearance for NATO Cosmic Top Secret information in 1982 in a meeting where the defense chief, intelligence chief and a select circle of members of the government participated. He later was convicted for having turned over military information from the military high school, but has never confessed to this."

"Additionally, the program contained details which are not consistent with the facts of the case. For example, there is no basis for asserting that Arne Treholt has delivered information by putting documents in automobile exhaust pipes or that the deliveries took place during jogging tours or the like. Overall, the program gave a strongly distorted picture of the Treholt case if one starts with the facts which in fact exist in the case," according to the report from Treholt's defense counsel, Arne Haugestad.

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CSO: 3639/42

## NORWEGIAN CRITICISM OF SWEDISH SECURITY POLICY UNJUSTIFIED

Oslo AFTENPOSTEN in Norwegian 23 Nov 85 p 2

[Op Ed Article by Arne Olav Brundtland: "Sweden's Security--and Norway's"]

[Text] Various important issues in the Swedish security policy debate are causing echos in Norway as well. This is natural considering the close neighborly situation. It is important for Norway how Sweden solves its foreign policy and defense problems. But even though it is refreshing in terms of party politics that Norway supports viewpoints which are being carried out by sister parties in Sweden, it also is necessary for us on this side of the border to attempt to see matters from the Swedish point of view.

It is the government in every country which has the primary responsibility for security policy. The first question which is asked in foreign countries following an election is whether the new government will follow the same foreign policy as its predecessor. A government's credibility is judged not only on the basis of what it says but more nearly on the basis of what it does and, in a democracy, on how much parliamentary support it has for its platforms.

## Sweden-Soviet Union

In the current situation, it is particularly Sweden's relations with the Soviet Union and the Swedish defense policy which captures interest. It is the submarine episodes which have contributed, not in the least, to focus the searchlight on Sweden. The debate has been heated. The Palme government has been accused of weakness, but has responded by emphasizing that the relationship with the Soviets ought be as normal as possible. But the government will not bend over backward for the Soviets. It will have the courage to look the super power right in the eye. At the same time, it criticizes the opposition for not having demonstrated the moderation and balance which is necessary for winning credibility for the policy of neutrality. The Moderates particularly have received a going-over. For example, their security policy spokesman Carl Bildt said that one retains the right to think for oneself and to express one's own thoughts without receiving a decree of excommunication from neutrality politics from Prime Minister Palme. There also is a school of neutrality politics which says that one is free to think for oneself and not necessarily just follow signals on particular issues from the government.

This is a debate which Sweden can afford without it affecting the credibility of its neutrality politics. It should not worry anyone in Norway from a security policy point of view.

#### How Strong?

But the issue also naturally has a defense policy aspect. How strong should the Swedish defense be in order for it to be an acceptable protection for the policy of neutrality? The response hardly can be given in a short sentence. What a country requires by way of defense is a function of its geographic location and the security interests connected thereto. In addition, it is naturally the country itself which both undertakes the evaluation of the policy and the implementation of it. In this connection, one also must consider the reactions of foreign countries because, first and foremost, the credibility of the security policy is put to the test by foreign countries.

In the current situation, a number of marine officers have made statements pointing out that Sweden has a military capability which is too weak to handle the challenges which are connected with the underwater violations. This is not surprising since it is the marines which have the primary responsibility in the physical submarine battle. Nonetheless, the number of violations have decreased markedly. Perhaps this is related to the sharpening of Sweden's anti-submarine policies.

#### Important

Seen from a Norwegian viewpoint, it is important that Sweden maintains its defenses in a manner which gives credibility to the policy of neutrality. But no country, including our own, has a defense which completely and perfectly covers all objectives. One must live with various risks.

Foreign observers have pointed out that the submarine violations perhaps were meant to have the effect of causing Sweden to choose to concentrate on the marines at the expense of other important defense objectives. No country can manage to keep foreign submarines out of its navigable waters. A completely effective campaign against submarines is so demanding of resources that efforts in this area very easily can have consequences for other defense objectives. Some believe, however, that the submarine episodes should be viewed more accurately as discomforts rather than as important defense challenges. However, it is clear that no country can assert that one's sovereignty and defense policy platform is completely respected if continued submarine violations occur.

#### Buffer

From an evaluation of Norwegian interests, Sweden's role as a good defensive buffer against attack from the east is very important. Without such a buffer, we would have been unable to have pursued the defense policy which we follow today. It would have been particularly difficult to have maintained our base policy.

It is therefore perhaps more important for Norway that Sweden continue to have a strong air defense and an army which can guard against an advancing march--irrespective of whether that is imagined in furthest north Norrland or through mid-Sweden.

Sweden has a basically good defense. To be sure, it has been reduced somewhat in recent years, but the overall picture is the same. Sweden can mobilize more than twice as many soldiers as Norway. They also have essentially very good equipment. Sweden also has an air force which is internationally respected. There are about 400 fighter planes and technological standards are being maintained. We have only approximately 25 percent of what the Swedish air force has.

Relatively speaking, Norway is far more strategically vulnerable than Sweden--simultaneously with our having a weaker defense. It is for those reasons, among others, that we have chosen NATO and that we stick with it.

Obviously it is important for Norway that Sweden maintain a high level of defense in its own interests. Certainly, the Swedish conventional defenses cannot be too strong viewed from the Norwegian point of view, but that does not mean that we are entitled to complain. However, we can retain our views.

In the final analysis, we are better served with Sweden continuing to practice a policy of neutrality and a defensive political profile around which Swedes can remain united.

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CSO: 3639/43



## DEFENSE MINISTER REPLIES TO HESELTINE CRITICISM

Copenhagen BERLINGSKE TIDENDE in Danish 11 Aug 85 p 12

[Op Ed Article by Hans Engell: "The Danish Defense Quite Good!"]

[Text] Our NATO partners might want for Denmark to make greater contributions in certain areas, but they recognize that our contributions in many areas are considerable--and that what we do, we do well.

In June, we had a visit from the British minister of defense, Michael Heseltine. In a very frank speech, he commented on the Danish defense and security policy. He stressed that what we did in this area in Denmark was of great importance for the British security policy, and he felt that we might make a greater contribution. He realized that Denmark had economic problems but pointed out that NATO countries with even larger problems nevertheless were able to make greater defense contributions. Somewhat polemically, he wondered whether we in Denmark would have the same degree of security if the allies contributed as little to the defense as the Danes.

At intervals, we have heard corresponding statements from other allies, but if especially the British defense minister felt that he was entitled to make such a frank statement on the Danish security problems, it was because they were mutual problems, and because the planned British reinforcements, ultimately, might cause 20,000 young British soldiers to lose their lives on Danish soil.

I certainly agree with my British colleague that he is entitled to state his opinion on our conditions. Generally, on the basis of our joint membership in NATO and especially on account of the British reinforcements. We Danes do not hesitate either to tell other countries how they ought to solve their security problems.

I also agree with Heseltine that we ought to make a greater contribution to our own defense. I wish that we had the financial means to call up a larger number of conscripts in order for our reserves to be renewed. I wish that several of the old weapons systems of the Danish defense establishment could be replaced. And I wish that it would be possible to rebuild somewhat more rapidly the ammunition supplies which have become drained owing to their use for educational purposes.

However, even if the government might want for more to be done in these areas, I have to admit that we have the economic means for the defense on which political agreement may be reached. It is, after all, of great importance for our security policy that the political and economic frameworks for our defense are determined on the basis of the defense agreement, so that we need not, each year, clarify the situation of the Armed Forces in the budget debate. Everybody can surely imagine the uncertainty and the contingencies which might affect the decisions. As things are now, we know the budget, and it is up to the Defense Minister and the personnel of the Armed Forces to ensure that the funds are utilized in the best possible way.

Michael Heseltine, however, made a comment which I found very gratifying, viz.: "What you Danes do, you do excellently!" One may find this empty flattery or sugar on the bitter pill. But it hardly is. The commander-in-chief of the NATO North Region has referred to the Danish Armed Forces in extremely positive terms, and, in their annual NATO evaluation of the Danish defense, irrespective of critical remarks, our allies agree that even if the funds granted for our Armed Forces ought to be larger, Denmark derives the maximum benefit from its funds. Units of the Danish Armed Forces have, on several occasions, won the NATO infantry competitions. Our fighter pilots are among the best internationally. The cooperation between the Air Force and the ships of the Navy is decentralized and hardly better in any other country. We have an effective Home Guard Force of 77,000 men and women for about 3 percent of our defense budget. In many areas, we thus have reason to be proud of our contribution to the common defense.

The Danish contribution to the common defense has also been evaluated somewhere else. Once annually, the U.S. Secretary of Defense sends a report to the U.S. Congress on the contributions to the common defense by the U.S. and its allies, the so-called "Report on Allied Contributions to the Common Defense." In its report, the Pentagon endeavors to provide a balanced and realistic evaluation as to whether the individual allies make reasonable contributions to the defense of the Western World. It is recognized that this is a very complex and difficult task. By way of example: In some countries, the pension expenditures for retired officers are included in the defense budget, in other countries under the social budget. How is it feasible to estimate the value of the extensive installations made available by West Germany to American and other forces? How large a share of the expenditures of the United States as a global superpower with the forces involved will have to be included?

It is hardly surprising that, in a comparison among NATO countries, also in the most recent report, Denmark is close to the bottom level in many areas: the defense expenditures as part of the gross national product (only Luxembourg and Canada are lower), the size of the peacetime force as part of the population, developments in force targets and real growth in defense expenditures.

In other areas, however, the Danish Armed Forces receive good marks. A comparison is, for example, made of the conventional armed forces which a country may actually provide in a given situation, and their effect, with

the country's productive capacity (i.e. its wealth). Denmark's share of the combined gross national product of the NATO countries (in addition to that of Japan) thus constitutes 0.77 percent, but we provide 1.78 percent of the combat forces and 1.24 percent of the tactical air forces. If these figures are combined, it gives a factor for the Armed Forces of 2.32, which puts Denmark ahead, for example, of Norway, the Netherlands, West Germany, France, Great Britain, the United States, and, as far as the tactical air forces of 1.62 are concerned, behind, among others, Norway and Belgium, but ahead of the United States, West Germany, Great Britain, and others. One should, of course, be cautious when quoting figures. It has been maintained that statistics is the direct road from a standpoint taken ahead of time to a rash decision. It, nevertheless, shows that we need not be ashamed of our contributions in these areas.

There have been strong forces in the U.S. Congress, headed by Senator Sam Nunn of Georgia, which have fervently advocated cutting back the number of American Forces in Europe unless the allies increased their contributions in certain specified areas. Following much argumentation from the Pentagon, the proposal was rejected by a small majority, but the extensive debate showed that American politicians are very much preoccupied with the issue of allied contributions to the common defense. A proposal which puts a ceiling on the American Forces in Europe at the present level was adopted. This ceiling may, however, be raised if it is established that the European allies have taken essential steps toward--among other things--increasing their ammunition supplies and improving the support facilities for American reinforcement units.

In the report, Secretary of Defense Weinberger recognizes the difficulties in comparing defense contributions. His conclusion is that the allies make a quite considerable contribution toward the common defense, larger than is normally known in the United States. He finds, however, that certain countries could, and ought to, contribute more--nobody mentioned, nobody forgotten. The possibility of the United States to influence the allies is best furthered by the force of example and the value of the arguments. Not via fruitless discussions in the Congress on the contributions to the common defense by the allies, nor via bills which threaten to reduce the U.S. contribution to the common defense unless the allies react in a certain manner. Here, a clear signal is sent to Senator Nunn.

Our allies may want for us to make a greater contribution in certain areas. But they recognize that our contribution is considerable in many areas, and that we do the things that we do well. This may be gratifying at the same time as we in this country are carrying on a debate on the use of the resources of the Armed Forces. In an enterprise with 40,000 permanent employees and a turnover of 11 billion kroner, there will always be things which may be improved and may be made more efficient. And it is our duty to see to it that this takes place. But the general accusations leveled against the Armed Forces, charging the Armed Forces with slovenliness and scamped work are greatly exaggerated. The facts and the evaluations of the allies point in a different direction.

## ENGELL DEFENDS PERSONNEL POLICY CHANGES

## Retirements, Resignations Clarified

Copenhagen BERLINGSKE TIDENDE in Danish 6 Nov 85 p 9

[Article by Hans Engell, Minister of Defense: "Personnel of Armed Forces"]

[Text] The newspaper recently brought an article which, apparently, is solely based on statements made by Ole Østergaard, consultant.

It appeared from the article, among other things, that 10,000 members of the personnel of the Danish defense establishment will reach the retirement age in the course of the next 5 years, and that these retirees have not been taken into consideration in connection with the appointment of new employees. According to the said article, the trade union, the Central Organization of Regulars, had, repeatedly attempted to draw the attention of the politicians and the defense leadership to this problem.

The statements by Østergaard ought not to be left unanswered. Especially, because I am convinced that the Central Organization of Regulars Employed Under Contract is familiar with the work which, in the course of the last few years, has been undertaken in the various working groups under the Ministry of Defense where they have been reviewing the personnel structure of the defense establishment and have thus also been evaluating the need for personnel under the various categories within the defense establishment. It is my understanding that Ole Østergaard himself is involved in this work. Against the background of these evaluations, recruitment models have been set up with a view to covering the future personnel needs of the defense establishment. In this context, it is correct that, in the course of the next 5 years or so, the defense establishment will pension off a relatively large number of its permanent personnel, who were appointed in the fifties as a result of Denmark's membership of NATO, but these pensioners have been included in the above recruitment models and do not constitute 10,000 but approximately 3,700 members of the personnel.

The other problem pointed out by the said article, viz. the increasing number of employees, especially among officers, resigning to enter various areas within the private sector, on the other hand, is correct and, in the opinion

of the defense establishment, is a serious one. These resignations which have been increasing during the last 2 years, take place from all services but are, at the moment, probably felt the most within the Danish Navy and Air Force, as mentioned in the article. The reasons for these resignations are, of course, open to discussion, and, in this context, I am not surprised that the personnel organization finds that it is due to salary and employment terms. However, I am fairly certain that a major reason is the upswing which has been taken place of recent years, and which has given rise to a marked shortage of experienced and well-educated leaders. In this context, I am of course, happy that officers and non-commissioned officers of today receive an education which places them in demand within the private sector. Incidentally, I do not find that the defense establishment, in this area, is, in general worse off than the rest of the public sector; indeed, the defense establishment is probably considerably better off in view of the fact that it has its own well-developed educational system, which may remedy the problem. And steps will be taken in this respect.

#### Longer Conscription Period Justified

Copenhagen BERLINGSKE TIDENDE in Danish 9 Nov p 13

[Article by Hans Engell, Minister of Defense: "Not to Hamper Conscripts"]

[Text] Why will it be necessary to make the conscription period longer, and have the parties supporting the defense agreement failed the young people?

Those questions were raised in BERLINGSKE's report (2 November) from the debate in the Folketing on my proposal concerning an extension of the total maximum conscription period to 27 months. The proposal is a direct consequence of the defense agreement which was concluded between the coalition parties and the Social Democratic Party in 1984 and which means an extension of the initial total conscription period for combat troops and engineering troops by 3 months to 12 months for regulars and 24 months for officers or non-commissioned officers liable for military service. With a view to the registration, it therefore is necessary to increase the maximum conscription period to 27 months. The advantage achieved hereby is that officers and non-commissioned officers may continue to be registered to the same extent as hitherto--i.e., together with the regulars, whose instructors and leaders they have been. The proposal, however, has released a discussion on the conscription period and the necessity of ensuring a more effective education.

Allow me to establish, first and foremost, that the reason why we have desired to extend the conscription period is not that we want to hamper the young people or give them difficult conditions. On the contrary. The longer conscription period will solely be used to give the young conscripts a better education, enabling them, in a given situation, to solve the tasks given them in a better manner. There is reason to note the reduction in the conscription period which has been gradually carried through over a number of years. In 1952, the conscription period was extended from approximately 12 months to 18 months. Since then, the conscription period has been gradually reduced to



16 months in 1964, to 14 months in 1966, to 12 months in 1969 and 9 months in 1973. In 1973 a major change was carried through within the Army through the introduction of the so-called standing force, which was to be composed primarily of voluntary personnel. This personnel was to man high-priority and technically complicated units. At the same time, it was decided to reduce the conscription period to 9 months for drafted regulars, whose training in the so-called training force was to be arranged solely with a view to enabling them to become incorporated in the supplement to the standing force and the other reserve units. In arranging the training of conscripts, there would thus no longer be a need to take into consideration any emergency factors. However, even with the limited goals, within the conscription period of 9 months, it has not been possible to achieve a satisfactory level of training.

This is not merely guesswork on my part. Several inspections of units of conscripts have shown that the educational level immediately prior to their demobilization, in general, was too low, and the following problems were pointed out:

- (a) The training of the individual person had not been sufficiently profound.
- (b) Only 200 hours had been set aside for the standard training, which was insufficient for the conscripts to become experienced at the respective levels.
- (c) There was no time for teaching cooperation (i.e. teaching the various arms mutual cooperation).

These circumstances underlie the adopted extension of the conscription period by 3 months for combat troops and engineering troops.

Nobody will, of course, be interested in longer conscription periods than absolutely necessary. This is the reason why the parties to the defense agreement have set up a working group to study the entire issue of the use of conscripts within the Armed Forces and thus also the possibilities of further differentiation in the conscription period. This, however, does not alter the general need for an extension.

#### Soldiers Support Extended Service

Copenhagen BERLINGSKE TIDENDE in Danish 15 Nov 85 p 13

[Article by Nils Eric Boesgaard: "Great Interest Among Young People in Extended Service"]

[Text] Conscripts support the extension of the conscription period to 12 months, the Defense Command states.

A total of 94 percent of the young conscripts who will start their 12 months of service in the spring have joined the military service voluntarily, and the same thing applies so far to 75 percent of the next group of conscripts who

will start their military service next fall, the chief of the conscript section of the Defense Command, Lieutenant-Colonel Jørgen Svaneberg states. The figure for this year, which still has only 9 months of military service, is the hitherto highest figure, viz. 84 percent, he adds.

"Ninety-four percent of the 1,100 who will begin their military service on 16 April 1986 are volunteers. As for the inductions next fall, when 1,900 young men will join the units of combat troops and engineering troops, 75 percent have already volunteered for military service, and that is even before we have begun to request them to do so--that request will only be made in January," Lieutenant-Colonel Jørgen Svaneberg adds.

"There is every indication that the extension of the conscription period to 12 months will be a success. To a certain extent, this, of course, is due to the fact that only a very small number of conscripts are actually called up. If we took all of those who had been inducted, the number of volunteers would drop drastically. It is a question of well over 32,000 annually, and we, of course, use only 8,000-9,000 men. But it is clear that the percentage of volunteers is highest in the case of the actual combat troops, both within the Army, the Navy and the Air Force. The percentage of volunteers is lowest within the more service-oriented areas."

The Center of Leadership of the Armed Forces has made a study to clarify why young people, to such a great extent, volunteer for military service.

Approximately 40 percent of the 80 percent in 1984 answered that it was due to the desire to become soldier, possibly on account of plans to become non-commissioned officer or officer. The second-highest group of 17 percent comprised those who were unemployed when signing up. Smaller groups wanted subsequently to join the police or Falcks Salvage Corps, and 5 percent wanted to earn points for continued education.

The same study showed that 44 percent of the volunteers had drawn numbers exempting them from military service but had, nevertheless, signed up. Twenty-two percent of the remainder stated that they would have volunteered if they had drawn numbers exempting them from military service.

So far, there is every indication that the number of young men who volunteer to do their military service within the Armed Forces, this year, will reach 84 percent. We lack only the reports on conscripts called up in the early part of December, but there is nothing to indicate that those reports will cause any changes in the figures. "The only thing that may happen is that the figure becomes even higher because some of those who have been called up may seek postponement of their conscription or may be replaced by volunteers from waiting lists. It is the largest number ever," says Svaneberg.

By way of comparison, it may be added that the percentage last year was 80 percent, while it was 82 percent the previous year.

At the same time, the number of conscientious objectors, i.e. conscripts who do their military service in non-military areas, is dropping. The figure for 1985 appears to become 215, compared to 284 in 1984. That is a decline of 24 percent.

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CSO: 3613/39

## CURRENT ANTISUBMARINE WARFARE DOCTRINE, WEAPONRY REVIEWED

Herford MARINE FORUM in German Sep 85 pp 304-306

[Article by Naval Lt Michael Warnick: "Underwater Detection and Antisubmarine Warfare in the Navy"]

[Text] Antisubmarine warfare (ASW, Ujagd) is generally understood to be an offensive action during which surface naval forces such as destroyers, frigates, and antisubmarine aircraft as well as submarines detect submarines at great distances and then successfully destroy them.

However, if one considers this offensive concept from a realistic viewpoint, then one very quickly reaches the conclusion that here theory and practice are far apart. Where during World War II the submarine was still the prey, imposing technical improvements have turned it into the hunter today and confront ASW with considerable problems.

The classic mission of ASW--to seek the submarine, to locate it, to identify it, to attack it, and to destroy it, remains valid as before, although the altered character of the threat has compelled a rethinking with regard to the employment of ASW naval forces.

In terms of the "North Sea" operations area of our Navy, the main employment area of the larger surface units, the advantages of ASW lie with the submarine at first glance. This is primarily attributable to oceanographic characteristics.

#### The Antisubmarine Warfare Problem

The North Sea Theater of Operations is a "shelf sea" where average water depths run at 93 meters. At about the level of Skaw, the 100-meter line begins and depths do not increase until further north. Sea areas with less than 600-foot depths (about 200 meters) or those extending up to 50 nautical miles from the coast are designated as coastal waters. Thus, the North Sea is considered to be a coastal water and is geographically characterized by shallow water and a gently rising coastal profile, by sandbars, shallows, and a large number of wrecks. Added to this are the tides and various water stratifications.

This results in manifold problems for antisubmarine warfare in coastal waters which can be explained by the typical character of the shallow-water area and which partially and quite considerably inhibit the detection opportunities at the disposal of surface naval forces.

Shallows and sandbars do not inconsiderably limit the identification of underwater contacts because they produce false echoes, resonance, background noise, and sound attenuation. Wrecks in coastal waters display many of the characteristics of a submarine but lead to "nonsubmarine contacts." Every contact must first be compared against known wreck positions either listed in marine charts or in special wreck charts, at a considerable expenditure of time.

Water stratification presents the principal problem. These strata are temperature or salt layers. They produce layers which mislead the sonar of the sound navigation and ranging device and permit the formation of sound shadow zones in which a submarine cannot be detected with ordinary means. The fact that the layers change with the seasons of the year, or even daily and hourly in certain areas of the sea, adds to the difficulties experienced with respect to detection ranges.

For this reason it is desirable to execute "bathythermographic measurements" at intervals of a few hours in order to be able to determine the character of the "layer." For purposes of sonar propagation, it would be ideal if no layers existed--in other words, if isothermal conditions prevailed. But such conditions are encountered only very seldom. All geographic and hydrographic givens in the operations area of the Navy favor the submarine. It can evade the ASW force by diving below the boundary layer, where it cannot be detected. It possesses a not insignificant detection range advantage since it hears a surface vessel much sooner with its passive detection devices than the surface unit can detect the submarine in shallow waters with its detection devices.

In contrast to sensor radar which is influenced by "duct" formation or by the horizon in its detection possibilities, sensor sonar, which is the main detection device used against submarines, is subject to all the above-mentioned limitations.

Added to this is the fact that submarines have recently sought and found ways of increasing the detection security of submarines. This area includes sound-absorbing protective coatings and claddings, as well as the reduction of the submarine's own noise level.

#### Development of Tactics and Equipment

It is the goal of antisubmarine warfare to deny the enemy the effective employment of his submarines. This sentence contains the more defensive "philosophy" of antisubmarine warfare in simple words. In first place, in other words, this is a matter of preventing the effective employment of enemy submarines and not as one might think, of hunting U-boats and destroying them.

As a result, the antisubmarine warfare forces conduct themselves in such a way that no submarine could get a chance to fire or that it would be made more difficult for it to achieve a fire control solution.



This is the determination to which ASW tactics and equipment is attributable.

The basic model of the experience of the Royal Navy and the U.S. Navy from World War II particularly stress the antisubmarine warfare procedures against conventional diesel-powered and torpedo-carrying U-boats. The units of the newly established German Navy had to first become familiar with these basic models of security, area operations, and antisubmarine warfare search and destroy procedures and then to take them for their own.

The procedures were tailored both to the former performance of sensors and effectors, the main mission--the protection of convoys--and were adjusted for the speeds of all participating units, including those of the submarines, the escort vessels, and of the units to be protected.

Sonar has remained as the principal sensor to be employed against submarines. A direct dependence has developed between the effectivity of sonar instruments and their age. First-generation instruments in the Navy operate in the higher frequency ranges and, in part, with very poor performances as searchlight sonars. If one adds the oceanographic givens in the theater of operations, it becomes clear that the average detection range employed against submarines was small as a result of the damping which is dependent on higher frequencies. Antisubmarine warfare chase vessels (destroyers, frigates, ASW vessels) had to approach the U-boat contact at close range in order to be able to combat it with such close-range weapons as depth charges or ASW missiles. In employing a torpedo against a submarine, the absurd situation arose where the weapon had a longer range than the sensor.

This was hardly the way to realize the classic "philosophy" which calls for the submarine to be detected and combated at maximum possible range. If the oceanographic conditions had to be accepted then the search had to be made for more effective sensors and effectors, just to be consistent.

This sensor is the scanning sensor which works at low frequencies. In contrast to the "searchlight sonar" which reads consecutive narrow sectors, it represents a permanent circular all-round search with a considerably higher information rate. The fact that this equipment, following the trend worldwide, works in the low-frequency range, achieves greater ranges and, thus, at least partially, compensates for the oceanographic conditions. The employment of "long-range" ASW effectors became possible. Because of greater detection ranges and the appropriate employment of long-range effectors, U-boats can be detected and combated at greater distances. The ASW vessel has, thus, achieved a "standoff" capability.

Despite the greater detection ranges, the reaction time between detection of the submarine and the action taken against it by ASW units has remained relatively small.

For this reason, the ASW aircraft cannot be dismissed from this scenario.

It is equipped with small active and passive detection instruments--sonoboyes. The data measured by these sensors are transmitted to the aircraft and

evaluated there. The deployment of a number of sonoboyes can detect the submarine through triangulation, can identify it, and follow it. Equipped with radar and supplemental verifying devices such as MAD (magnetic anomaly detection) the ASW aircraft operates in front of a naval unit in order to search the area of the ocean to be traversed by the naval unit. Once detected, the U-boat is attacked either by the ASW aircraft itself or in cooperation with closing ASW vessels.

From the possibilities for combating U-boats by ASW aircraft it is evident that no effective ASW employment of destroyers or frigates is possible without the support of a maritime patrol aircraft.

After introduction of the frigate class 122 weapons system with on-board-based ASW helicopter components, the collaboration of all desirable and effective ASW naval forces became possible.

This will be referred to once more at the conclusion of this article.

The development of the submarine chase in our Navy, based on the valid ASW doctrine and, thus, the ASW tactics, cannot be separated from the developments throughout the world--which are limited here to the alliance.

If the diesel-electric-powered submarines were thus far regarded as the enemy, then the commissioning of missile-carrying, in part, nuclear-propelled and constantly quieter, submarines demand new means and employment procedures for countering them.

#### Developments Worldwide

For the further development of active sonar equipment, it is axiomatic that sound in water is absorbed in proportion to its distance covered and to its frequency. The lower the frequency, the lower the absorption.

This axiom is used in developing active sonar devices. And so, modern "long-range" sonar devices today tend toward very low frequency ranges. That way, they achieve great detection ranges.

Undoubtedly, the best method of detecting U-boats and, particularly, the noise generated by them is through the employment of hydrophone chains (passive sonar) which can be towed by both U-boats and vessels--the TAS (towed array system).

Furthermore, it is possible to position them at a depth which is appropriate to the sonar conditions.

These passive sonar systems permit the detection of U-boats at far greater distances than active systems, since, in the latter case, sound has to travel to and from the target, resulting in not insignificant losses.

Although "towed array" systems, used on their own, cannot provide any target ranges and only permit a relatively low tow speed since they would otherwise

be disrupted, their detection probability ratio is considerably higher than that of the active systems. Consequently, the trend is toward utilizing them particularly with respect to ASW submarines. The disadvantage of not being able to provide any target distance (range) data is balanced by today's technology by letting "towed array" units operate in conjunction with units equipped with "hull-mounted" passive sonar devices.

This now leaves the advantage of the U-boat of being able to withdraw to the best detection protection depth--which means, as a rule, below the boundary layer, to be considered.

In this area, technological development has led to the employment of depth-variable sonar sensors which are classically represented by the ship-mounted "variable depth sensor" (VDS) and the "helicopter dipping sonar." In the previously mentioned sonar evaluation atmosphere, these make it possible to detect the U-boat beneath the "layer" since they can position the sensor at variable depths through the boundary layer.

Similar possibilities are presented to the ASW aircraft. If, thus far, the sonoboyes were placed in a horizontal position in order to detect a submarine, possibilities now exist to do so on a vertical plane. This makes boundary layers "permeable."

The most recent sensor system, which is more like a strategic ASW weapon, is the U.S. Navy-developed sound surveillance system (SOSUS), which has been deployed in the North Atlantic. Among others the system consists of hydrophones which were positioned on the ocean bottom and which detect submarines in low-frequency passive ranges at acceptable distances and track their movements.

The considerable improvement in ASW sensors was followed by improvement with respect to the effectors. If one first considers the surface effectors, then the dominant role with respect to ASW is played by the lightweight torpedo. This is a systems computer-supported intelligent torpedo which is characterized by good detection possibilities. It is intended for employment in shallow-water areas or in "shelf" seas and carries a warhead which permits the penetration of the outer and inner hull of a target.

ASW submarine forces primarily make use of the "heavyweight" torpedo. These torpedoes are characterized primarily by an active/passive sonar terminal and are, for the most part, wire-guided.

Since the wire-guided torpedo can be steered by the firing unit, its relative position with respect to the target at the time of firing is almost without significance.

In conclusion, another "long-range" ASW component of ships is mentioned. This is a system which uses a missile or a rocket to carry an ASW torpedo to the target (Asroc, Ikara, Malafon). There, the torpedo separates from the propulsion mechanism, parachutes into the water and begins its programmed search for the previously identified enemy.

All of these technical developments in the sector of sensors and effectors make it possible for ASW naval forces to counter the still difficult to locate submarine, regardless of whether it has a conventional or nuclear propulsion plant. The U-boat has long since not been as untouchable as it was in the past. However, since there is a constant search for ways to improve the submarine's detection security, the question remains as to how antisubmarine warfare can develop in the future and what possible lessons for the conduct of vessels are to be drawn from this?

#### New Considerations and ASW of the Future

The problem of antisubmarine warfare can only be solved as a total concept which bonds all ASW naval forces together. This concept must apply with respect to combating submarines as early as the leaving of the home port, during transit, in the theater of operations, and through the end of the deployment. If one proceeds from the primary principle of the fight against submarines, which requires detection of the enemy at considerable expense to begin with, then this is possible only by combining all active and passive sonar sensors. Once detected and localized, reaction must be accomplished with as broad a palette of naval forces as possible, for example, consisting of "towed array" towing submarines, ASW aircraft, helicopters, and surface vessels, according to the motto of "Defense in depth." Only combat preparedness at all times and at all levels, employing a multiplicity of forces, can make ASW successful and can make it possible to combat the submarine in accordance with the classical "philosophy" at a maximum distance.

This proposed concept can only be pursued by all alliance partners in the northern flank area within the framework of a division of labor within NATO. Reduced to the "North Sea" Theater of Operations, our Navy can contribute to this situation with the introduction of the class 122 frigate. This vessel is equipped with on-board helicopters which close the gap which still exists between detection distances employed against U-boats and the range of ship-board effectors. The on-board helicopter is in a position to use its "dipping sonar" to detect the submarine even below the boundary layer and to combat it with its on-board weapons while it cannot be attacked, at the time, by the submarine itself. Unfortunately, the number of helicopters and their endurance time is still too low so that the desirable tactical goal--the prevention of the direct encounter between submarine and surface vessel--cannot yet be perfectly accomplished.

In the future, surface naval units such as destroyers and frigates with on-board ASW helicopters will remain the classical means for the close-in protection of convoys against U-boats. These "submarine hunters" should, in the future, respond to requirements for increased ASW armaments and increases in the effective range of their weapons. The close-in protection mentioned above, however, only results in success if it is augmented by wide-area protection. Naval forces for this particular purpose would seem to be primarily submarine and maritime patrol aircraft equipped with "towed array" devices; but even the employment of surface vessels equipped with towed antennas, should be considered.

Beginning with the above-mentioned total concept, our Navy can, in the future, render its contribution in the form of submarines, marine patrol aircraft, as well as destroyers and frigates with helicopters.

Above all stands the requirement to secure the maintenance of Europe's survivability in case of war. This point was addressed by the former SACLANT, Admiral Kidd (U.S. Navy), when he said: "During the first 180 days, some 6,000 vessels will be required for transport and the NATO units will have to be successful in destroying the Soviet submarines within 28 days."

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## WEAKENED DEFENSE STATUS DESCRIBED IN CONTINUED DEBATE

Stockholm SVENSKA DAGBLADET in Swedish 30 Oct 85 p 2

[Article by Fredrik Braconier]

[Text] The Defense Committee's work is now starting seriously with a goal toward our future defense. In a tight security situation and after a number of years' weakening of the military's effectiveness, the politicians will decide on the appropriation framework for the period after 1987.

The definitive decision will be made in the spring of 1987, but in practice the guidelines will be drawn up within the Defense Committee already this fall. At the beginning of next year more definite directives will then be issued after contacts have been made between the Defense Committee and the government. Even then the contours of the coming defense budget will appear. A debate which will affect the result of that which Supreme Commander Lennart Ljung has characterized as "a choice of roads" for Swedish defense policy, must therefore be put into motion now.

During later years the fact has been much discussed that Sweden's and Scandinavia's military strategic situation has become more prominent. The Soviet Union's considerable buildup of its base system on the Kola Peninsula has provided northern Europe with a radically increased importance. The Murmansk area - only about 100 kilometers from the Norwegian border - is now the home harbor for two-thirds of the Soviet Union's modern strategic nuclear weapon submarines as well as several other submarines and surface vessels with nuclear weapon capacity.

Sweden has very clearly felt the worsening of this situation through the submarine incursions. In the fall of 1981 a Soviet submarine ran aground in an ocean bay outside the naval base in Karlskrona. The Submarine Defense Commission established in April 1983 that the submarine incursions of 1980-82 - including the violation in Jarsfjarden - were Soviet. As the Supreme Commander has continually reported ever since, the violations of Swedish territory continue uninterrupted. According to the Submarine Defense Commission the submarine activities represent "preparatory stages in military operative planning."

## Deeply Disturbing War

From a Swedish point of view, the war which the Soviet Union has been conducting in Afghanistan since the end of 1979 and early 1980, must be naturally deeply disturbing. The Soviet Union invaded a neutral neighboring country, murdered the existing leadership and established their own henchmen in power. For close six years the Soviet Union has been conducting a merciless war against the country's population without particularly disturbing the outside world much.

What has the Swedish reaction been to this chain of alarming events? What measures have we taken so as to be able to meet the increased threat to our peace and freedom?

The answer must be disheartening. Actually we have hardly done anything at all. Certainly we are slowly - yes, almost at a snail's pace - reattaining the capability to conduct submarine hunts. However, this buildup is actually not taking place within the framework of a general strengthening of our military power.

As Table 1 shows, the development is closer to being the opposite.

Table 1. Expenditures on the Military Defense 1972/73 - 1985/86

<u>Fiscal Year</u>	<u>Current Prices</u> <u>(millions of kronor)</u>	<u>Fixed Prices<sup>1)</sup></u> <u>(millions of kronor)</u>	<u>%share</u> <u>of GNP</u>
1972/73	7,315	19,372	3.4
1973/74	7,816	18,814	3.2
1974/75	8,922	19,186	3.2
1975/76	9,834	19,321	3.1
1976/77	10,701	19,039	3.0
1977/78	12,314	19,668	3.1
1978/79	13,707	20,173	3.1
1979/80	15,278	20,219	3.1
1980/81	16,675	19,819	3.0
1981/82	18,355	19,775	3.1
1982/83	18,750	18,750	2.8
1983/84	20,455	19,452	2.7
1984/85 <sup>2)</sup>	21,952	19,017	2.74)
1985/86 <sup>3)</sup>	23,059		

Source: Budget proposal for the respective year.

1) Price level of 82/83. The price calculation has been made with the net price index.

2) Preliminary estimate.

3) Estimated average use, including estimated price compensation for 1985/86.

4) Preliminary information.

(The table is taken from Defense Statistics 1985)

Compared with fiscal year 1979/80, in fixed money value we spent just over one billion less in the last fiscal year on our military defense. The share of military expenditures in the GNP has fallen under 2.7 percent in recent years - the lowest level in the postwar era. During the 1950s the corresponding share came to an average of 4.5 percent. Every percentage point corresponds to a current money value of 800 million kronor.

The stagnating military expenditures have drastically reduced the Swedish military's effectiveness in vital areas. As Table 2 shows, the air force and navy have almost been cut in half in two decades. And nonetheless, these figures do not express everything concerning the weakening. The weaponry on our fairly advanced aircraft is faulty. There has not been enough money for modern missiles and bombs.

Table 2. The Swedish Military Force 1967 and 1987

	<u>1967</u>	<u>1987</u>
Modern infantry brigades	20	10
Other infantry brigades		8
Norrlands brigades	4	5
Mechanized brigades		1
Armored brigades	6	4
Surface attack vessels	57	34
Submarines	24	12
Minessweeper squadrons	14	8
Coastal artillery battalions	40	29
Fighter squadrons	22	11
Attack air squadrons	12	5.5
Light air attack squadrons		4
Reconnaissance squadrons	10	6
Heavy transport aircraft	1	8
Missile 68 squadrons	4	

(Source: OB 85)

Within the Army the quantity has been maintained but equipment lags behind. The Swedish military has not been issued one single new tank since 1971. The number of helicopters is ridiculously low. In point after point there are gaping holes.

#### Cannons and Gunpowder

This is the situation as the 1984 Defense Committee begins its more concrete work on the future of the military and the 1987 defense budget. Last spring, the Defense Committee presented a security policy report which also established the significance of the Swedish military in more general terms. For example, the committee stated:

"If we are able to stay out of the introductory, conventional phase of a great war the risk will also be greatly reduced that we will be susceptible to attack with nuclear weapons if the war escalates. An adequate, strong and all-round total defense is a prerequisite for Sweden to be successful in this endeavor."

Now such declarations will be given content in the form of dollars and cents, cannons and gunpowder. As a foundation the committee has the perspective plan "OB 85" which Supreme Commander Lennart Ljung presented at the end of September.

OB 85 outlines the effects of different appropriation levels for the military after 1987. The lowest level is under the current defense budget. In the so-called program plan level, funding has increased by 500 million per year as compared with the lowest level, and at the "plus level" receives an additional 550 million.

Since the Supreme Commander sees these three alternatives as insufficient he has formed his own proposal - the OB level. This, in turn, is 1.620 million per year over the plus level. The gap between the OB level and the next highest alternative is greater than the combined differences between the three lower levels.

This is for the years 1987-92. For the following 5-year-period the gap widens even more between the OB level and the others.

According to Lennart Ljung the OB level is the only one which maintains the military's relative strength. This is hence not an issue of Sweden arming quicker than other countries in order to compensate for previous sins of failure. The OB level signifies only that we keep pace with the outside world based on the current situation.

With a defense appropriation of such magnitude we would also be able to build many submarines and coastal corvettes, strengthen the fighter air force with an additional squadron of Viggen fighters, as well as retain our light attack aircraft by arming trainer aircraft of the 1990s.

However, the Supreme Commander's message for unchanged relative military power is, with few exceptions, being met with little understanding within either the Defense Committee or the Defense Department. This is clear after a number of conversations with those most closely involved. The reason is quite simply the economy in general and the burdened state finances. It is seen as difficult to achieve a significant increase in defense appropriations when other areas suffer from cutbacks.

How will defensive capability then be retained or improved?

In the general debate proposals to reduce the size of the military have been presented in order to concentrate on quality and effectiveness. Fewer soldiers but with better weapons, has been the slogan. In terms of party politics, such thoughts have mainly come from the Liberal Party.

## Hardly Any Unity

However, they are hardly gaining any wider audience within the Defense Committee. On the contrary, the need for the general conscription and a large military is emphasized. Many soldiers are needed for example to meet the threatened airborne landings. Moreover, it is doubted that a reduction would imply significant savings.

Neither is there really any unity in terms of prioritizing what the most important tasks to be done within the armed forces are. One cites a new tank, medical in wartime as well as regional balance; another protection for soldiers and helicopters; a third the significance of producing our own missiles to break the dependence on the United States; a fourth air defense; while a fifth wants everything at approximately unchanged cost.

This survey of attitudes indicates a defense framework around the program plan level - the Supreme Commander's next lowest alternative - and with a buildup of the military which corresponds to that of today. According to the Supreme Commander the program plan level implies a continued weakening of military power. "The weakening which has occurred since the 1970s will continue," was the conclusion of OB 85.

In a debate article in SVENSKA DAGBLADET about a week ago, Lennart Ljung wrote that we cannot "treat the 1987 defense budget as a routine issue." Yet there is much today that points right in this direction. The majority of politicians deliberate about the current appropriation framework.

The intensified security policy situation has not cast any more noticeable reflection on the defense policy area. In the absence of public debate and public opinions, one is prepared on the whole to follow in the same footsteps as before that is, continued weakened military power.

## The Bitter Truth

According to the now almost canonized standard phrase, our neutrality policy is supported by a "military which is strong according to our conditions." What this actually means is unclear.

It is clear that since the 1950s we have invested less and less of our resources in the military defense. It is also clear that Sweden's defense is constantly weakened compared to what is appearing in our neighboring areas. In some strange way our conditions are forcing us to an uninterrupted disarmament, and there does not seem to exist any actual political will to battle against these mystical forces.

This is the bitter truth concerning the Swedish defense policy of 1985 when ones peels away the inflated proclamations on the significance of the military for our peace and freedom.



## Superpowers Are Arming

The Defense Committee states in its security policy report that the superpowers are putting the main part of their resources and increases in appropriations on conventional weapons. The statistics for some types of weapons also show that the United States and Soviet Union have more conventional weapons than they had 10 years ago. At the same time, the quality has increased by replacing older weapon systems with ultramodern ones.

The material should be used with certain caution in reference to the balance of forces between the superpowers. This does not include the forces within the respective allies. In some cases the boundaries are not given. In terms of tactical combat aircraft the United States has a very significant aircraft weapons on its aircraft carriers - a type of weapon which in the Soviet Union is currently lacking for the most part. On the other hand, the Soviets have a larger number of land-based combat aircraft with naval missions.

### The United States' and Soviet Union's Conventional Armed Forces in Some Areas.

	1975	
Tactical landbased Combat Aircraft	USA 2,816	Soviet Union 4,375
	1984	
	USA 3,117	Soviet Union 6,210 <sup>1)</sup>
	1975	
Landbased Combat and Transport	USA 5,435	Soviet Union 1,550
	1984	
	USA 6,043	Soviet Union 4,400
	1975	
Cruisers, destroyers frigates	USA 193	Soviet Union 237
	1984	
	USA 204	Soviet Union 285

- 1) The figure exaggerates the Soviet increase. About 1,300 planes have been added by moving them over from another category.

Source: John M. Collins: US-Soviet Military Balance 1980-85.

Report to the US Congress.

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## EUROVENTURES TO ATTRACT NORDIC COMPANIES

Helsinki HELSINGIN SANOMAT in Finnish 8 Nov 85 p 38

[Article: "Euroventures Attracts Venture Capital. Nokia, Wartsila and Neste Invited to Join"]

[Text] During next spring, the "round-table" group, consisting of 20 European top executives and assembled around Pehr Gyllenhammar, general manager of Volvo, will start a venture capital company comprising all Europe.

The company, which will be established for the purpose of increasing the European entrepreneurial spirit, is bringing together successful enterprises from different countries which will invest their capital in the Euroventures company. The money will then be used to help mostly small and medium-size industry.

The large European industrial countries will have their own Euroventures companies by next spring. In the Nordic countries a joint Euroventures Nordic company will start its operation in December. Similar venture capital companies are already in operation in the Benelux countries and Italy.

Holland is managing the establishing of Euroventures. J. Henk Goris, managing director of the Dutch company, has already been to Finland to lure at least Wartsila, Nokia and Neste into the cooperation.

The Finnish participants in Gyllenhammar's Nordic "brain trust" are Ulf Sundqvist, chairman of the board of directors of Neste, and Kari Kairamo, managing director of Nokia.

The purpose of the top executive group managed by Gyllenhammar is, with the help of the Euroventures project, to speed up the flow of European venture capital which is considerably slower than in the major competing countries, the United States and Japan.

## Large Concerns as Principal Owners

Twelve large European companies own the Euroventures parent company, which operates as central organization. Among others, Asea, Volvo, Fiat, Olivetti, Pirelli, Saint Gobain, Petrofina and Philips support the project. The share capital of the parent company is expected to be about 280 million markkas.

The parent company will support establishing Euroventures companies in different countries or areas and the most significant large concerns of the area will be invited to join.

The Nordic company, Euroventures Nordic, will probably start its operation by the end of this year. Before the companies are started, Pehr Gyllenhammar intends to be in contact with the prime ministers of the Nordic countries.

The share capital of Euroventures Nordic is expected to be 250 million kronor, 35 percent of which would come from the European parent company. The intention is to have 2-4 large industrial concerns from each Nordic country to participate.

For tax reasons, the domicile of Euroventures Nordic will be Oslo, but the project will be managed mainly from Stockholm.

The intention is to divide Svetab, a subsidiary of Procordia, an investment company owned by the state of Sweden, into two, and one half will be put as nest egg into Euroventures Nordic. At least Volvo and Asea from Sweden are going to participate. From Norway, Morsk Hydro will join the group. These companies have already made a preliminary contract with the Dutch company managing the entire project.

The share of the companies joining the project will be 2-5 percent, i.e. 5-10 million markkas each.

#### Separate Companies to Manage

The plans include managing the local Euroventures companies through special management companies.

The European parent company will take 2.5 percent of the annual profit and 80 percent of the remainder will be allocated for the use of the local Euroventures company. The remaining 20 percent will be divided between the members of the management company in charge of the local Euroventures company.

The idea for the management company has been copied from the United States where allocation of venture capital is a separate subdivision of management.

The Euroventures project is intended to exist for ten years, after which period the local venture capital companies will be disestablished. However, the lifetime of the companies can be extended if all participants so wish. In any case, the management company will operate for three years after the local company has been disestablished.

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## GOOD INDUSTRIAL GROWTH IN FIRST HALF OF 1985

Vienna INDUSTRIE in German 2 Oct 85 pp 24-25

[Article by Werner Budig, director of the main department "Production and Productivity Indices" in the Austrian Central Office of Statistics:  
"Analysis of the State of Business Activity in Industry"]

[Text] According to the results of official industrial statistics, published recently by the Austrian Central Office of Statistics, Austrian industry achieved real production growth of 5.4 percent during the first half of 1984 due to continued strong demand from abroad, particularly through expansion of finished capital goods (+ 14.4 percent).

Due to strong foreign demand (+ 15.0 percent) and an increase in domestic demand (+ 11.0 percent) especially during the second quarter, industrial enterprises during the first half of 1985 received 11.9 percent more orders in terms of value than during the comparative period of the previous year. In mid-1985, Austrian industry had 9.4 percent more orders on hand than a year ago.

For the first time since 1980, a slight increase in industrial employment was registered. At the end of June 1985, 563,000 people were employed in industrial enterprises, which means 2,200 more, or up 0.4 percent, from the end of June 1984.

Production in the capital goods sector expanded by 9.0 percent during the first half of 1985 and showed greatly increased growth compared to previous periods. It is particularly positive that this development was due mainly to production strength in finished capital goods (+ 14.4 percent). Manufacture of primary products also showed good production results (+ 6.1 percent).

The construction material industry could not make up for the production drop during the first quarter (- 9.0 percent), caused by the bad business cycle in construction, although it increased by + 2.8 percent during the second quarter, and thus during the first half of 1985 remained 1.9 percent below the production level of the same period in 1984.



Consumer goods production rose only moderately during the first half of 1985 (+ 1.9 percent); this was decisively influenced by the almost stagnant development of durable consumer goods (+ 0.3 percent) and in the clothing sector (+ 0.4 percent). Thanks to increases in the first quarter of 1985 (+ 3.9 percent), 1.8 percent more consumer goods were produced by mid-1985, while the second quarter showed production levelling off (- 0.1 percent).

During the first half of 1985, 4.7 percent more foodstuffs and luxury consumption goods were produced than during the previous period of comparison.

In the basic industries, production increased by 1.3 percent; mining products and magnesite showed only small gains (+ 0.8 percent).

Due to extremely low temperatures at the beginning of the year, and because of increased industrial production, between January and June 1985 7.7 percent more electricity, gas and long-distance heat were produced than in the first half of 1984.

#### Automotive Industry Ahead

On a comparison basis of the various industrial sectors during the first half of the year 1985 vs. 1984, the automotive industry showed the greatest expansion of production (+ 17.3 percent), followed by the glass industry (+ 16.7 percent), machine and steel industry (+ 14 percent), the foundry industry (+ 13.7 percent), and paper-producing industry (+ 11.6 percent). The average production increase of all industries was topped by the production growth of the iron and pressed metal industries (+ 6.5 percent), paper-processing industry (+ 6.6 percent), and electrical engineering industry (+ 9.1 percent).

With the exception of the leather-producing industry (- 12.3 percent), production changes in other industrial sectors fluctuated between + 2 percent (wood-processing industry) and - 2.8 percent (clothing industry).

At the end of June 1985, 563,000 workers were employed in Austrian industry; compared to the previous year, this means an increase in personnel of 2,200, or + 0.4 percent. On a percentage basis, there were more jobs added in the glass industry (+ 7.4 percent), the foundry industry (+ 4.9 percent), paper-processing industry (+ 4.1 percent), electrical engineering industry (+ 3.4 percent), iron and pressed metal industry (+ 2.5 percent), and the automotive industry (+ 1.8 percent).

Job reductions were recorded, among others, by the petroleum industry (- 4.0 percent), the wood-processing industry (- 2.9 percent), the ironworks (- 2.8 percent) and textile industries (- 1.8 percent).

On a regional basis, the number of people employed in industry dropped, compared to last year, only in Vienna (- 2.3 percent), in the Burgenland (- 1.1 percent), and in Lower Austria (- 0.8 percent); all other states

had a higher employment figure than a year ago, above all Carinthia (+ 3.9 percent).

#### Productivity: Up by 5.0 Percent

Real increase in production, combined with the slight upturn in numbers of employed, resulted in a higher productivity level compared to the first half of 1984. Based on the average of all industries, and measured as production per employee, work productivity rose by 5.0 percent during the first half of 1985.

Productivity increases were noted particularly in the automotive industry (+ 14.2 percent), the machine and steel industries (+ 14.2 percent), the paper-producing industry (+ 12.5 percent), and foundry industry (+ 12.1 percent).

In the half-yearly comparison, productivity losses were registered only in the leather-producing industry (- 6.1 percent), stone and ceramic industry (- 2.5 percent), chemical industry (- 1.9 percent), clothing industry (- 1.5 percent), and the non-ferrous metal industry (- 0.6 percent).

#### Situation of Orders Received is Good

During the first half of 1985, orders received by industry increased by 11.9 percent compared to the same period of the previous year and reached the total amount of 230.5 billion schillings by mid-year; in the second quarter, an increase of 12.8 percent was attained, after + 11.2 percent during the first 3 months of this year.

In the 17 industry sectors included in this study, in some instances, very considerable increases in orders received were achieved, above all in the non-ferrous metal industry (+ 28.7 percent), the leather-producing industry (+ 28.3 percent), glass industry (+ 25.5 percent), machine and steel industry (+ 21.5 percent), automotive industry (+ 19.4 percent), the foundry industry (+ 19.2 percent), and the paper-producing industry (+ 18.2 percent).

As of 30 June 1985, the stock of orders on hand amounted to 145.9 billion schillings and were thus 9.4 percent above comparable amounts of the previous year.

Of all industrial enterprises compared, one-third reported an increase in orders by more than 10 percent; 6 percent of the enterprises had up to 10 percent more orders than at the end of June 1984. Thirty percent of all the industrial enterprises studied showed fewer orders than a year ago, and among 23 percent of them, the drop in orders was more than 10 percent.

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## OECD INDUSTRIAL GROWTH EXCEEDS UNITED STATES, JAPAN

Munich SÜDFRDEUTSCHE ZEITUNG in German 4 Sep 85 p 24

[Article by Theodor Fuchs: "Industry Shows Brilliant Profitable Growth / Japan is Moving Up/ Worldwide Export Boom/ More Employed in Large German Firms/ SZ Examines the Club of Sales Billionaires"]

[Text] Thanks to economic recovery, sales and profits soared in 1984. The average growth in proceeds of the world's 50 largest industrial enterprises (computed in dollars) amounted to 7 percent; in the previous year, a drop of minus 2.3 percent was suffered. Even more astonishing is the average increase of net proceeds by no less than 28 percent, when in 1983 it had already risen by 20 percent. Meanwhile, however, the tide has turned again. For a year now, U.S. industrial production has hardly increased, and the Japanese industrial growth rate has slowed down recently. On the other hand, an upswing in business activity in Western Europe is unmistakable. According to latest estimates, the national product might rise this year by 3 percent in real terms in the 24 OECD countries. This means a considerable slowing down compared to the previous year, since in 1984, a proud 4.9 percent was recorded. Last year, world trade grew by not quite 10 percent. Export successes by industrial enterprises on the old Continent and in Japan are impressive. For example, Japanese exports of entertainment electronics to the United States rose by almost two-thirds. This explains the jump of the Matsushita electrical firm (in Osaka) from 39th to 21st place within 2 years on the list of the largest industrial enterprises published annually by the U.S. business magazine FORTUNE. Less striking are the changes in the top listings. Since 1979, Exxon has the highest sales worldwide. Formerly, the oil company and General Motors used to alternate in first place.

Evidently, German entrepreneurs refused to be shaken by the strikes and lock-outs in the metal and printing industries, else their business would have been less successful in the past year. But a weakness in growth

during the labor struggle in May and June 1984 is obvious. Shortfalls in production, but also in industrial investment and exports, were too great. At the time, even commerce and trade reflected the consequences of the pay dispute. In the second half of the year, the gross domestic product (which expresses domestic economic performance) rose again so that the decline could be balanced. The Federal Office of Statistics recorded impulses, especially in the processing industry, as strong as during the 1975-1979 phase of business upswing. This is reflected in the 6.5 turnover increase of German industry. Adjusted for price, this comes to 3.6 percent. As late as 1983, enterprises were just holding their own with an increase of 0.7 percent. Even the 50 largest industrial corporations in the FRG, usually ahead of the competition by a nose, had not achieved a higher turnover rate. Last year, however, they were again above the FRG average. With sales of DM 806.1 billion they had a nominal gain of 8.4 percent, which was more than half of total sales of DM 1.4 trillion by German industry.

Contrary to the general trend, the higher proceeds of the top 50 sales leaders were achieved through a somewhat increased labor force. After a 3.17 percent decrease in the previous year, the number of employed rose in 1984 by 0.09 percent to 2.91 million (including the companies' foreign work places). At the same time, however, there was a drop by 1.1 percent in German industry. Trade and commerce, also, employed fewer people. However, the decline was less than in preceding years. Klaus Goette, chairman of the board of directors of Gutehoffnungshuette Aktienverein, remains skeptical nonetheless: it might be a long time before the situation in the labor market would ease up--even if general conditions for company performance were to improve. All the more encouraging is the example of computer producer Heinz Nixdorf who, for years, has been increasing his personnel in the FRG, also. He is even building a factory in Berlin. Of the five largest industrial corporations, four also hired more personnel. The number of Daimler-Benz employees rose by 8 percent last year to 199,900. Volkswagen AG (formerly Volkswagenwerk AG) employed 238,400 people (+ 2.9 percent), and Siemens with about 319,000 workers and employees recorded an increase of 1.9 percent. Lastly, BASF increased its personnel by 1.5 percent to a labor force of 126,000.

The new jobs are ultimately due also to the rapidly growing export business. Thanks to the continued strength of the dollar, German industry delivered 40 percent more to the United States. This is one-tenth of total exports. For this reason, the consequences would probably not be too serious should the growth rate of exports to the United States shrink somewhat this year. Chemical companies in particular are doing good business on the other side of the Atlantic. The higher export rate and the increased share of export production in the companies' turnover are a consequence of this. In 1984, the record was held by Schering with 82 percent (previous year: 80.5 percent). Bayer recorded 78.5 percent (76.8), and Hoechst activities abroad were also considerable with a share of 75.3 (73.9) percent of total turnover. In the automotive industry, BMW's share was striking with 73 (69) percent. The Munich enterprise was followed by VW with 67.9 (63.9) percent and Daimler-Benz with 56.3 (62.1) percent. How strongly German enterprises are engaged abroad is pointed up by the

list of the 50 largest firms: in the case of 21 corporations, the rate was above 50 percent.

#### Siemens on an Expansionist Course

Considering the great diversification of VFBA, the long-time sales topper (the former, less well-known Holding Vereinigte Elektrizitäts- und Bergwerks-AG), its export share and production abroad is surprisingly low with about one-fifth (18.9 percent). Last year, however, it did grow by 2 percentage points--mainly because of acquisition of the U.S. chemical firm of Nuodex Inc., Piscataway, which produces sales in the equivalent of DM 450 million. Although VFBA heads the list of the largest industrial enterprises with foreign sales of DM 49.5 billion (+ 0.8 percent), almost one-third of this amount is resale turnover. Despite the slow expansion of VFBA, its 1984 earning power improved greatly. Per share earnings rose by 56 percent to DM 21.10. Thanks to a 16 percent increase in turnover to DM 45.8 billion, Siemens managed to move from fourth to second place. Since for the business year 1984-85 (30 September) an increase in proceeds of 20 percent is being computed, the electrical engineering firm might take over the number one spot from VFBA this year. The corporation invests almost DM 4.5 billion in order to advance even faster in growth areas such as semiconductors, production automation, or public communications networks. Despite the high growth rate, unusual for Siemens, the profit-sales ratio is now 2.4 (1982-83: 2) percent. With a net product of DM 22.3 billion (after 20.6 billion), Siemens again stayed in first place among German enterprises.

While the two automobile producers, VW and Daimler-Benz, dropped back to third and fifth place--in the preceding year they were still Number 2 and 3--BMW dashed from 19th to 16th place. Despite the differing results in ranking, all three companies increased their turnover--BMW by about 17, VW by almost 14, and Daimler-Benz by 9.7 percent. This is surprising in view of the fact that the metal industry had to cope with a fairly large production shortfall because of the labor dispute. Last year, Daimler-Benz was again the biggest tax payer in the FRG with DM 3.1 billion. Opel and Ford, however, traveled a bumpy road; their proceeds decreased by 12 and 4 percent, respectively. Opel fell from 16th to 20th place. Leaving occasional revenue drops aside, the German automotive industry still sees growth possibilities. Daimler-Benz calculates that since 1970, 60,000 additional jobs were created in the largest branch of industry in the FRG. The prospects of car makers are being underestimated if one were to look at production only in terms of numbers of cars produced, since the transition from quantitative to qualitative growth, observed for some time now, will also continue in future. According to this study, the average value of a passenger car of German make increased by 3.4 percent annually between 1970 and 1984, adjusted for inflation.

Despite positive business impulses, 10 of the 50 largest enterprises had lower sales last year. In 1983, when the recession had just been overcome, a drop in proceeds was registered in 15 cases. In addition to Opel, German Babcock also suffered a sales loss of 12 percent. The electrical engineer-



ing firm of AEG-Telefunken (about 4 percent sales losses) dropped from 23rd to 26th place, while 3 years ago it was still ranked 19th. ENKA (15 percent sales increase) was again included in the SZ ranking; 2 years ago it had no longer been among the 50 largest enterprises. With proceeds of DM 22.3 billion, the Kloeckner group (Kloeckner-Werke, KHD, and Kloeckner & Co. KGaA) would be in 12th place, but under corporation law, it is not a unified group of companies. KHD Kloeckner-Humboldt-Deutz (19 percent sales gain) moved from 50th to 47th place among industrial enterprises with the greatest turnover, and Kloeckner & Co. KGaA (+ 14 percent) rose from 13th to 10th ranking among this country's largest commercial enterprises. The Otto-Wolff group also appears in this category, since resale turnover predominates. Surprisingly high is the jump of Gesellschaft Hanf & Cie. from 14th to 3rd position. With a turnover of DM 13.6 billion, it showed a gain of about 53 percent.

#### Difficult Comparison

Admittedly, comparison is made more difficult because of differing balance-sheet methods. Siemens and Daimler-Benz, for example, only proportionately consolidate holdings of more than 50 percent. On the other hand, the three leading chemical enterprises, BASF, Bayer and Hoechst, include their 50-percent subsidiary companies in world sales. Since only the domestic sector is computed, the Flick group is only ranked 28th. This also holds true for GHH, which dropped from 15th to 22nd position despite a sales increase of almost 3 percent.

Last year, eight German companies (1983: seven) were listed among the 50 largest enterprises in the world. With one exception--Bayer managed to stay in 34th place--they had lower rankings. VEBA (whose turnover is listed in this survey without mineral oils tax) fell back by six positions to Number 24, and Daimler-Benz (33rd place) lost five positions, Siemens (27th) was set back by two. The chemical enterprises ranged in the lower ranks. Thyssen was listed in 50th place; it had last been listed in the survey in 1982. A list by FORTUNE magazine demonstrates just how big Japanese competition has become in the meantime: of the 500 companies with the strongest sales (excluding the United States), 150 came from Japan; the FRG was listed with 55 enterprises. Even among the first 100 positions, Nippon's firms held 26 places, while only 15 German industrial enterprises were recorded. Without doubt, there was a certain disadvantage through conversion of DM amounts into the stronger dollar.

#### Oil and Automotive Companies at the Top

When the United States is included in an international comparison, the Japanese presence is less obvious. In 1984, ranking hardly changed among the leaders of the field. Front-runner Exxon (with proceeds converted into DM = DM 258.5 billion in sales) was followed by the British-Dutch enterprise Royal Dutch/Shell with sales of DM 240.9 billion, a sales increase of almost one-fifth. General Motors held 3rd place (12 percent sales gains), and Ford (18 percent sales increase) moved to 5th place (from 6th). The fact that the U.S. automotive industry has picked up steam

can be seen by the example of Chrysler. Due to a 48 percent sales increase, that enterprise improved its position by 21 places, to number 20. This year, however, car makers will have to accept declining sales, particularly since fiscal policy has again become tougher. Despite growing automation, automobile production is among the largest employers. Last year, General Motors employed 748,000 people; Ford, 384,000. Even after a reducing diet, restructured and upward-moving Chrysler still had a labor force of 100,000 people.

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## DIJ REPORTS ON CURRENT ECONOMY: GROWTH INSUFFICIENT

Berlin DIJ WOCHENBERICHT in German 24 Oct 85 pp 483-494

[Article: "The Economic Situation in the FRG"]

[Text] Total economic production in the FRG has been rising strongly since the setback, due to weather conditions, at the beginning of the year. Disregarding disallowances, it is growing at a rate of 2.5 percent, and use of the production potential is climbing slightly, on the average. But in view of the large number of unemployed and the present considerable productivity growth, lastly also determined by factor prices, the growth curve is too flat.

Until spring, dynamic demand came mainly from abroad; since then, domestic economic expansive forces have dominated. Orders from abroad rose less rapidly, since the economic recovery in the United States, and as a consequence in developing and threshold countries, has slowed down. Another factor is that since spring, the D-Mark has become more expensive vis-a-vis other currencies, and thus also goods from the FRG.

On the other hand, the revaluation of the D-Mark has made imports to the FRG cheaper and has strengthened the purchasing power of private households and the profits of those enterprises not forced by the market to pass on these price reductions. At the same time, capital ready for investment poured into the FRG, and interest rates in the capital market began to soften. The lowering of interest rates was also influenced by the flattening of price increases, and lower demand for loans by the government and private construction clients.

## Monetary Policy on Proper Course

The Bundesbank supported the drop in interest rates by gradually reducing the rates for securities-pension transactions from 6 percent at the beginning of March to 4 and a half percent at the beginning of October, raising quotas of relatively "cheap" rediscount credits, and finally, lowering the discount rate and Lombard rate by half a percentage point each. The current yield of securities carrying a fixed interest rate dropped from 7 and three-quarter percent to 6 and one-quarter percent; the latest rise is probably only temporary. During the past 15 years, interest rates were lower only in 1978; at that time, however, the

Bundesbank had strongly expanded the money supply, against the rules of stabilization, in order to slow down the rising exchange rate of the D-Mark.

This time, however, the drop in interest rates must be attributed to market forces rather than to excessive expansion of the money supply. The money supply of the Central Bank was not raised above the stabilization level. In early summer, its increase had even weakened temporarily; mostly because the note and coin circulation--this constitutes 50 percent of the Central Bank's money supply--had dropped slightly. But the Bundesbank does not have to counteract such more or less accidental fluctuations, since they correct themselves very soon, as experience has again shown.

The drop in interest rates has already stimulated monetary expansion. Thus the money supply of cash and sight deposits (M1), stagnating until summer, has recently risen noticeably. In all probability, the Central Bank's money supply will expand in the coming months in the upper regions of the target funnel and, this year, will largely correspond to the requirements of growth and stabilization policies. This presupposes, however, that the Bundesbank is not going to be deflected from its present policy by the September statement of the finance ministers and central bank governors of the five large Western industrial countries to lower the dollar exchange rate through sales on foreign exchange markets, if necessary.

#### Investment Activity Stimulated by Impulses from Abroad

Although growth conditions are still inadequate, investment activity was lively. Impulses came predominantly from foreign transactions, increasing sales as well as higher profit margins.

During the course of this year, the basic tendency in equipment investments rose at about the same speed--not counting the disallowances due to financial policy and labor struggles--as it did since the beginning of the upswing, i.e., at a current annual rate of roughly 6 percent.

Behind the increase of this year, a very differentiated development is concealed. It covers an almost doubled increase in the processing industry--with even higher rates in the sectors favored by foreign demand--to a drop in the construction industry and in trade. The high growth rate of 13 and-a-half percent in the first half of the year, compared to the previous year, overstates the development considerably; it reflects the low level of equipment investments of a year ago.

#### Continued Low Construction Investments

This year, construction activity was at a considerably lower level than before. It had been restricted at the beginning of the year, not only due to weather conditions; rather, that part of production was missing which had been brought forward into the preceding year in the course of support measures. Orders for housing construction have increased again since the spring; but evidently housing construction activity has not yet been

reduced to the low level of demand, so that further drops must be expected in the short term.

In industrial and public building, on the other hand, orders and construction activity show a clear upward trend; in industrial construction, mostly because production installations are being expanded, and Bundesbahn and Bundespost Federal Railroad and Federal Post increasingly raise their investments; in public construction, because the financial situation of townships has improved, and the federal and land governments have promised financial aid for city renovations and environmental protection. Nevertheless, construction investments this summer were about 7 percent lower than a year ago.

The decline in the construction industry has honed competition, and price increases in construction have reached a standstill. Lately, the price index for construction investments was barely 1 percent higher than a year ago.

#### Considerable Export Growth Continuing

Orders from abroad have increased only slightly since the beginning of the year, but merchandise exports continued to rise noticeably. This holds especially true for exports to Western industrial countries and, until the middle of the year, for exports to the United States. On the other hand, exports to OPEC countries dropped, and exports to other developing countries stagnated. The major reason was probably a lack of foreign currency, caused by the levelling off of economic development, particularly in the United States, and the pressure on prices of raw materials. Furthermore, in the case of OPEC countries, their share of crude oil sales had continued to drop.

Exports to state-trading countries showed different trends: supplies to the Soviet Union stagnated; those to Poland, and the People's Republic of China in particular, increased strongly.

#### Only Moderate Import Increases

Imports of merchandise continue on an upward trend, but the increase of about 4 percent in the course of the year is lower than formerly at comparable increases of total demand. This reflects the fact that, in real terms, the D-Mark had depreciated considerably in value until spring, thus clearly raising competitiveness of domestic sellers.

In addition, after the turnaround in the development of currency exchange, importers evidently postponed buying primary products in the expectation of further price drops. Automobile imports declined sharply. In part, this may be due to the fact that during the first months of the year the sale of private automobiles had dropped considerably and there was an unforeseen stock increase, because of uncertainty about possible tax measures favoring cars with emission controls. When car sales picked up in early summer, importers first used the situation to reduce stocks.



On the other hand, imports of investment goods, particularly of installations for data processing, process control, and machinery, grew in accordance with the lively investment activity. Evidently in the case of these products, price elasticity of demand is relatively low.

The increase in goods imports stayed clearly below that of exports. Since prices for imported goods have been dropping noticeably since spring--in August they were already lower than a year ago--, while those for export goods continue to raise, albeit at a slower pace, surpluses in the goods trade are increasing considerably. During the first 8 months of this year, they already exceeded the corresponding result of the previous year by more than DM 15 billion. Equally strong was the activation of the current account, with the exception of a slightly rising shortfall in the service sector traffic and in transfer payments.

#### Private Consumption Livelier

Private consumption which had stagnated at the beginning of the year, increased noticeably during the past months. This is due in part to backlog demand for car purchases, which had been postponed because of uncertainty about tax measures regarding emission-control cars, and in part it is also a cyclical improvement of private consumption. This is supported by the fact that available incomes of private households expanded strongly because of rising employment and increases in transferred incomes, while the cost of living hardly went up. The drop in interest rates probably strengthened the willingness of private households to go into debt.

#### Level Increase in Prices

Prices for the cost of living have hardly increased in recent months; at times, the cost-of-living price index even fell. Foreign trade influences were the deciding factors, among them the drop in the dollar exchange rate and lowering of the border equalization levy within the framework of the European agricultural market, which caused prices for agricultural products to fall. In addition, ample harvests of vegetables and other seasonal products contributed to lower food prices. Compared with the previous year, the price index for the cost of living of all private households shows an increase of a little over 2 percent.

#### Rising Employment

According to the latest figures compiled by the Federal Office of Statistics, the economic recovery affected the labor market earlier and more strongly than could be deduced from earlier data. Accordingly, the number of employed has risen by almost a quarter million since the low point in the first quarter of 1984.

But not all additional workers were hired to expand production. About one-third of this increase is due to the fact that entrepreneurs, following appeals, created more apprenticeships. In addition, there are

about 20,000 more persons who found employment within the framework of job creation measures.

Especially strong was the increase of 5 percent, or 150,000 persons, in the service sector (without trade and transport), which had hired additional employees even in those years when the number of employed dropped in other sectors. Next comes industry with 2 percent, or 150,000 persons, also, and almost exclusively in the sector of investment goods, for which demand abroad rose especially strongly and where working hours were shortened. Government, including non-profit organizations, also reported considerable employment increases. Presumably here, and especially in the service sector, we are dealing primarily with part-time employment. In the construction industry, on the other hand, employment decline continued; within the period of one year, the number of employed dropped by more than 100,000.

Among the remarkable changes is the fact that the number of self-employed, which had steadily declined over many years, is again on the rise. In part this may be caused by more sons and daughters continuing their parents' businesses, and in part by the fact that employees, having lost their jobs, become self-employed. The fact that a growing number of enterprises offer manufacturing subcontracts to their employees, may also play a part.

Despite the noteworthy rise in employment, the number of unemployed remained unabatedly high to the end. For one, this results from the growing number of potential employees. For another, people who had withdrawn from the labor force are again looking for jobs. This is especially true in those regions where a lack of qualified personnel is becoming noticeable.

#### Further Reduction of the National Deficit

The development of state expenditures and income so far makes one expect a further strong reduction in the national deficit for the entire year. Although no new measures for cutting back the increase in expenditures was passed, the measures decided on earlier still have their effect. Furthermore, this year payment of the investment allowance and assistance for foreign workers returning home will stop, which had temporarily increased expenditures last year. Investment expenditures were increased in the course of the year, but in the annual result they will again be lower than in the previous year.

State revenues are increasing almost as strongly as in the preceding year. Direct taxes are rising especially, primarily because profits are greatly expanding.

Overall it can be expected that the deficit of central, regional and local authorities will drop by about DM 7 billion to DM 25 billion. The financial situation of social security will also improve. This is particularly true for the pension insurance, where pressure was eased through another increase in the amount paid by the retiree for health

insurance, and two increases in the contribution rate. Unemployment insurance will also show a surplus this year, since expenditures for short-time workers are dropping, and with increasing length of unemployment, their costs shift from the Federal Institution for Labor to central, regional and local authorities.

## Outlook

The economic recovery in the FRG will continue. 1986 will be the fourth year of an upswing, although with low impetus; no change in tempo worth mentioning is indicated. Expansive forces will continue to shift from foreign to domestic demand. This is particularly reflected in the upswing of private consumption which will increase relatively strongly for the first time since the beginning of the 1980's. Also, the drop in construction activity will not continue. Investment activity by industry will probably increase more than other activities, but so far there are few indications that the investment boom will be strengthened and expanded. Since global economic risks have grown again, new impairment of the investment climate cannot be excluded.

As usual, the prognosis of economic development is based on a number of assumptions and premises. The most important ones are:

--Demand and production in industrial countries continue to rise moderately in 1986, also. Trade policy conflicts and debt problems do not become more serious. World Trade will grow by about 4 percent, i.e., the same as this year.

--The dollar exchange rate will not fluctuate considerably and lastingly from the present level, either upward or downward. The D-Mark will be revaluated next year vis-a-vis most currencies in the European currency system.

--The price level on world markets for industrial raw materials and oil will decline because of the rather modest economic upswing in industrial countries, and ample supply.

--Financial policy follows the course preset in the budget plans for 1986. The first step of tax reform comes into force. No new measures are taken in the coming year that would influence economic development.

--The Bundesbank expands the central bank's monetary supply by approximately 5 percent. This, together with the continuing low inflation rate and the relatively low national deficit, will enable a further drop in interest rates.

--In management-labor policy, the emphasis is more on wage increases than on cutting working hours. The wage settlements are somewhat higher than before and do not differ significantly in the various wage agreement areas.

### Export Increases Will Slow Down Very Little

Increases in export, which flattened somewhat this year, will hardly slow down in the course of 1986. The overall economic trend in purchaser countries will not change significantly. In the United States, the upward movement will increase somewhat; in Western Europe--the most important sales outlet with a share of almost 70 percent for German exports--the degree of expansion remains about the same. In developing countries, and above all in OPEC countries, however, import capacities will decline because of growing foreign trade difficulties.

The considerable revaluation of the D-Mark vis-a-vis the dollar reduces competitiveness in the dollar area; this will affect exports belatedly, as usual. However, competitiveness of German suppliers will still rise for a time vis-a-vis most other countries, since price and cost increases in the FRG are lower.

Under these circumstances, real goods exports to Western European countries will probably continue to increase at least at the same rate as presently, and increased exports to the United States will probably continue to weaken further. Forseeably, exports to OPEC countries will continue to shrink, since export revenues of those countries have again declined. Overall, German exports during the coming year will probably increase by 4 percent, in step with world trade in general.

### Investment Activity Continues at Lively Pace

There are many indicators that investment activity will continue to be lively next year. Expectations for sales abroad will not be as optimistic as in the past because of the real revaluation of the D-Mark and the acute dangers of protectionism. But expectations for domestic sales will improve, also because of the stimulating effects of financial policy. Profits for enterprises will continue to rise. In some sectors, however, such as the construction industry, trade and agriculture, revenues will remain depressed. The financial situation of enterprises will be improved due to the increase in reducing-balance depreciations of company buildings. Lower interest rates in capital markets have decreased the cost of outside financing as well as the attractiveness of financial assets compared to physical assets. The relative cheapening of the factor of capital, compared to the labor factor, stimulates substitution of labor by capital, i.e., investment in efficiency procedures.

Simultaneously, there are new legal regulations--such as the employment guarantee in the law on educational funds--which put strain on enterprises. Also, it cannot be expected that upcoming wage negotiations will take into account regional or sector-specific differences; this speaks against increased willingness to invest.

All in all, industrial investments will probably expand in 1986 at a current rate of 6 percent. Therefore, the rate of upswing continues to be noticeably lower than in former phases of upturn.



### Stabilization of Construction Activity

Since the low point in orders received in the construction industry was passed in the spring of this year, construction investment will rise slightly in the course of 1986. The differences in current developments will lessen between housing, industrial and public construction.

In housing construction, excess construction will have shrunk so much by the end of this year that a further decline in construction volume is probable; it can be expected to end only in the later part of next year. The development is burdened, above all, by the large supply of real estate. On the other hand, demand will be favorably influenced by the drop in mortgage rates and renewed growth of real income. However, construction of multi-family housing will continue to decline at first, due to expiration of the value added option and cutbacks in public housing construction. In construction of duplex houses, there may be the effects of early orders, since tax advantages will be eliminated as of early 1987. Less clearcut is the situation in the construction of single family dwellings. In 1987, the limit of depreciation is being raised from DM 200,000 to DM 300,000, but the deduction for mortgage interest will be eliminated. Capital increase provided by the law promoting urban construction, which also favors private owner construction, may support demand.

In industrial construction, improvement of the overall economic investment climate and more favorable depreciation conditions led to a strong increase in demand; it will probably continue in 1986. The federal railroad and federal postal service are increasing their investments, also. Overall, real investments in industrial construction will probably grow considerably in 1986.

Demand in public construction will continue to increase. After consolidation of their budgets, many communities have more scope for investments; federal funds supporting urban construction have been raised; and the Reconstruction Loan Corporation, the Equalization of Burdens Bank, and the European Recovery Program Fund are making more funds at favorable interest rates available for the promotion of municipal investments. Thus public construction investments will be considerably higher in 1986 than this year.

### Increased Growth in Private Consumption

In the coming year, private consumption will expand much more strongly than in recent years because incomes are rising fast. With slightly larger work volume, and wage agreements probably somewhat higher than this year, the gross wage and salary level will rise by about 4 and-a-half percent. Because of tax relief, net incomes will even increase by about 5 percent. Transfer incomes, also, are expanding more than in the past: the net rise in pensions will be somewhat higher; claims for early retirement payments are rising; educational funds are being introduced; expenditures for social assistance will be noticeably higher; statutory children's



allowance and housing allowances are being raised. These measures will give private households an additional income of DM 4 billion in total. Available income will rise by 5 percent nominally, by about 3 percent in real terms; that is twice as much as this year.

A rise in the savings ratio is rather unlikely. Tax relief favors particularly families with children and middle-income persons, that is groups where the savings ratio is lower than average. The lower level of interest rates may diminish the incentive to save. Overall, real consumption will probably increase by about 3 percent, the same as real available income; this is the greatest increase since the end of the 1970's.

#### Despite Lower Taxes, National Deficit Not Higher

In 1986, for the first time since the beginning of the 1980's, effects supporting economic activity will come from financial policy. The first step of the tax reform is the most important measure, which will lead to a DM 10 billion reduction in revenue from wage and income taxes. In addition, the federal government provides tax relief in depreciations for new industrial buildings, and depreciation concessions for modernization of heating and hot water installations in apartments.

These measures have the result that revenues from direct taxes only increase by 3 percent compared to 8 percent in 1985. On the other hand, indirect taxes will rise by 4.5 percent, about twice as much as in 1985, mainly because of livelier private consumption. In total, the rise in revenues will weaken to 4 percent.

Public expenditures will increase somewhat over 1985, by about 4 percent. This is mainly due to increases in social insurance benefits. Expenditures for state consumption will rise about the same as in 1985. There is uncertainty about the development of expenditures on materials in the public health sector. It is assumed that the rise in expenditures can be dampened in the area of statutory health insurance. Expenditures for public investments may increase considerably, by about 7 percent.

Although total expenditures will rise somewhat more than at the year-ago level, the federal share (ratio of federal expenditures of the GNP) will drop once more in 1986. The financing deficit of central, regional, and local authorities will hardly grow, despite lower taxes, and will amount to about DM 25 billion. As in 1985, the total national deficit will be around DM 20 billion.

#### Increasing Employment, But Only Small Drop in Unemployment

The real GNP will probably rise by about 2 and-a-quarter percent for the average of 1985. In 1986, the increase will be about 3 percent, or somewhat larger than in past years since the recovery. However, this is not a significant change in the basic trend, but must be attributed mainly to a higher excess at the end of this year.

The production increase, in the short term a moderate one for a period of upswing, is the decisive reason why the demand for employees remains subdued at first. For development in the medium term, the conditions under which workers are employed is of no less importance. It continues to be true that, in view of the strains resulting from regulations of the labor market which are difficult to compute, many enterprises hesitate to effect new hirings. There are also problems on the supply side; partly, there exists a lack of adequately trained labor.

For 1986, a further growth in employment can be expected. At the end of next year, the number of employed jobholders should be higher by about 200,000 than at the end of this year, and the number of self-employed should also increase, albeit by a relatively small amount. The need for workers will grow increasingly in the service sector, less so in industry. Lastly, in the construction industry the reduction in jobs will continue to slow down and will come to a standstill during the course of the next year. In the short term, measures such as further shortening of working hours, and the introduction of leave for educational purposes, will contribute to an increase in the number of employed.

The growth in employment will clearly exceed the simultaneous rise in the number of potential workers, which is lowered in itself through influences such as the increased use of early retirement. It cannot be predicted exactly to what extent this will lead to reduction of official unemployment on the one hand, and add to the "silent reserve" on the other hand. It is probable that the number of registered unemployed will be 2.25 million for the average of next year, compared to 2.30 million this year. The number will be smaller if unemployed persons 58 years of age and older, who no longer wish to be on call for labor offices, are no longer carried in the statistics on the unemployed. This has become the practice in some EC countries; it is planned in the FRG as of 1 January 1986. At present, about 150,000 unemployed aged 58 and over are registered. It can be assumed that some of them will hold themselves available for job placement by the labor office even after introduction of the new regulation. Due to this regulation, the number of unemployed is expected to drop by an additional 100,000 persons.

#### Surplus of Current Account Even Higher

In 1986, real goods imports will probably expand at a current annual rate about twice as high as total real demand. This ratio would be somewhat higher than the average of several years, since a reaction to the strong revaluation of the D-Mark vis-a-vis the dollar is probable. Stocks will be replenished, also, which had been kept low, partly because of expectation of such a revaluation.

Nevertheless, imports will not rise much above exports, and the real surplus in goods traffic will hardly change. The terms of trade will continue to improve with almost stable import prices and slightly increasing export prices. In nominal calculation, the surplus in goods trade will again increase strongly by DM 20 billion, to almost DM 100

billion. Although the balance of accounts deficit in the service sector will grow somewhat, and the transfer balance will close with a clearly higher deficit--particularly because of rising payments to the EC--, the surplus of current account will continue to grow in 1986. It will be about DM 50 billion, after DM 35 billion this year.

#### Price Increases Remain Restrained

In the coming year, price increases will probably remain restrained. This is indicated both by stabilizing monetary conditions and the moderate rise in demand. In addition, revaluation of the D-Mark has a moderating influence on price levels, and unit wage costs will not increase more than this year. Since a further step in the reduction of border equalization levies is coming up, only a small rise, if at all, in the price of food-stuffs is to be expected. Lastly, rents will increase only slightly due to the great supply of apartments. Overall, the cost of living by the end of next year will rise at a rate of about 2 percent; for the average of the year, the increase will not be higher.

#### Economic Policy Considerations

The upward trend will continue in 1986 at an almost unchanged pace. This goes hand in hand with a very stable price development. Simultaneously, foreign trade surpluses continue to grow, having already reached a significantly high level this year. Since the summer of last year, the number of employed is also rising. The increase is not strong enough, however, to noticeably reduce unemployment in view of the growing number of potential workers.

Existing high unemployment continues to be the most serious failure of an economic policy goal. Although the economy has again been expanding during the last few years, it must not be overlooked that economic growth until now has been supported above all by demand from abroad. Next year, domestic demand will rise increasingly.

Yet there is no lasting strengthening of the upswing in sight which would heighten the investment trend to such an extent that growth of the production potential would speed up sufficiently. It continues to be the task of monetary, financial and wage policies to attain improvement in employment and growth conditions.

#### On Monetary Policy

Monetary policy fulfills its task best when it stays on a course taking into account an expansion of the production potential possible in the medium term, and fostering continued stabilization of price levels.

Up to now, growth of the production potential has strengthened only slightly; then as now, it lies below the rate possible in the medium term and desirable from an employment policy aspect. The Bundesbank, in establishing the money supply target, refuses to take into account the

desirable higher growth potential--under present aspects, 2-and-a-half percent--with the argument that this would be the equivalent of issuing an unsecured note on the future. There is, indeed, always the possibility that due to undesirable trends in economic or wage policy, or because of foreign trade shocks, growth opportunities cannot be realized. But this must not mean that money policy adjusts its monetary target to potential growth only after all other sectors have fulfilled the conditions necessary for greater growth. Otherwise, monetary policy incurs the risk of becoming a bottleneck for greater growth.

Considerable progress has been made in recent years in stabilizing price levels. Nonetheless, the Bundesbank should not be satisfied with securing what has been achieved, but rather aim at further reduction of price increases. For the almost inevitable price increase, a rate should be fixed in setting the money supply target below the present price increase of 2 percent.

Lastly, it must be noted that the rate of circulation of the Central Bank's money supply shows a falling tendency. The Bundesbank so far has refused to take this into account by reasoning that the rate of circulation is declining mainly because, due to the special circumstances of recent years, the economy was unable to attain the growth dynamism registered in earlier times. This argument is not convincing; if economic entities had not endeavored to increase their monetary holdings compared to income, the relatively stronger increase in money supply would have led to a greater price increase rather than to a decline in the rate of circulation. In setting the money supply target, half a percentage point should therefore be added to compensate for the drop in the circulation rate.

From all this it can be deduced that next year, an increase of approximately 5 percent in the Central Bank's money supply must be considered appropriate. This corresponds approximately to the rate of increase of the Central Bank money supply in recent months.

Such a target, oriented along the lines of domestic economic requirements, could, however, be at variance with those agreements concluded by the governments and central banks of the five large Western industrial countries at the meeting in New York at the end of September.

The communique states that monetary policy is to continue to serve the promotion of inflation-free growth, but simultaneously is to work toward an exchange rate development reflecting more strongly than before the fundamental economic conditions of the countries. Devaluation of the dollar in particular is desirable. To support such a development, in addition to efforts to reduce the deficits in the budget and the current account of the United States and strengthening growth forces in Japan and Europe, concerted actions in the currency exchange markets were cited as helpful.



After publication of this agreement, and the ensuing interventions, the dollar exchange rate dropped considerably. It cannot be ruled out, however, that this exchange rate development would have happened even without the intervention by central banks, although perhaps not so quickly. In this case, interventions would not only have been superfluous, but would also have led to uncertainty about the further direction of monetary policy. If the drop in the dollar exchange rate was only due to the agreement and interventions, however, then it would last only if the economic policy course in the participating countries were to be changed. Monetary policy alone could not manage that, however; in the United States, an inflationary increase in monetary supply would have to be pursued, or else the increase in money supply in the other countries would have to be reduced, in the FRG below the level of potential. This would lead to a slowing of economic activity, would shake the confidence of international financial markets in a lasting growth in the FRG, and in the medium term would weaken the D-Mark rather than strengthen it. As a rule, monetary policy cannot do both, i.e., strive for steady economic growth free from inflation as well as a certain rate of exchange.

#### On Wage Policy

During wage negotiations in 1986, wage increases will probably dominate, while shorter working hours will play a minor part. In view of the somewhat more favorable economic situation and increased improvement of enterprise profits, the rise in negotiated wages might be somewhat higher than in the current year. Continued high unemployment, which--as recent years have shown--puts a damper on wage increases, makes a significant acceleration of wage increases unlikely. But wage negotiations in 1986 will probably not pay sufficient attention to the varying employment risks in the sectors and regions.

It would be better if the coming agreements were to take into account the greatly differing starting positions, especially since at present--different from times of inflationary development and a devaluing D-Mark--it is much more difficult, and even impossible, for sectors with weak productivity and profits to pass on higher costs to prices. The attempt to keep in step with the general wage development will probably lead to further job losses in those sectors.

Continuation of the trend toward equal percentages in wage increases, observed in the past, in which competition among the individual trade unions played an important role, contradicts economic necessities. In the upcoming wage negotiations, on the average such agreements are acceptable which imply a certain participation of employees in the expected productivity progress, i.e., a raise in real wages. This means that in sectors and regions urgently looking for workers, agreements can be concluded which amount to strong increases in real wages. But in areas where losses in sales and jobs are threatening, even ensuring real wages may be too much. Differentiating according to sectors, individual enterprises, and down to individual qualifications would extremely complicate wage agreements for employers and trade unions. This need for



differentiation should be taken into account through actual wages, i.e., through the wage drift, even in the form of bonus payments. The necessary latitude for this should be provided for in the wage agreements. The government should support such endeavors of the negotiating parties.

In connection with labor struggles in the areas of metal and printing, the question of support by the labor offices for workers indirectly affected by strikes and lockouts, has become a bone of contention. So far, no clarification of this problem is indicated. On this question, the government seems to rely on the negotiating parties' ability to come to an agreement. It is to be doubted, however, whether this is justified. In all probability, the law-makers will have to create firm legal bases; at any rate, it is untenable to continue to leave the settlement of such a question to the labor courts, it being of great importance to the willingness to get involved in labor fights.

#### On Economic and Financial Policy

There are still no prescriptions for overcoming unemployment without partially painful adaptation processes. One must urgently warn against the idea that, if government only wanted to, it could bring about full employment merely through higher expenditures. This does not mean that the government is to be released from its obligation of creating conditions for a high level of employment. It can, and must, change incentives in such a way that it pays enterprises to invest in physical assets and to hire workers, and for workers to continue training, assume responsibility, and to be professionally and regionally mobile. \*)

A considerable flaw in the concept of growth promotion was the fact that the government has always considered effective tax relief only as the "crowning" of a successful budget consolidation, and not as an instrument for strengthening growth, which in itself advances the consolidation process. New national indebtedness was reduced from DM 56 billion in 1981 to DM 20 billion this year. By itself, this is success. But the total economic costs of the consolidation policy could have been lower if more attention had been paid to the structure of the consolidation measures.

The first stage of the tax reform is dominated by the effects on demand. Together with a strong increase of investment expenditure and an increase in social insurance benefits, financial policy is contributing so that growth in the real GNP will not drop in the coming year despite weakening demand from abroad, but rather will be even somewhat higher than this year.

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\*) In their joint expert opinions in the past, the institutes have sometimes dealt extensively with the question in which areas an improvement of general conditions is especially urgent, and have submitted appropriate proposals. Therefore, the present expert opinion foregoes presenting all the possibilities for improving general conditions.

By dividing the income tax reduction into two steps, the chance was missed to noticeably lower the burden of taxpayers and thus to trigger corresponding incentives. According to the present prognosis, no new increase in national indebtedness is to be expected for 1986, despite the first round of tax relief. Providing relief in one step would therefore have been justified under this aspect, also.

In order to further strengthen expansionary forces, the second step of the tax relief must be implemented at an earlier date. In this manner, international demands for lowering foreign trade surpluses can be met without harming growth. Moving the second step forward to the beginning of 1987 should not be rejected with the argument that the tax relief could be misinterpreted as an election present.

The principle for the tax reform planned for the next legislative period should be a general lowering of tax rates, especially that of border taxes, and not of pointed promotion of investment and risk capital formation; profits not paid out should not be favored, since they hamper capital mobility and, therefore, in many cases have the effect of preserving structure. A lowering of tax rates, as large as possible, would alleviate the strain on all taxpayers, including employees. This is necessary in the interest of promoting performance willingness, since even after the 1986/1988 tax relief, increases in income will be burdened, in the case of a considerable number of employees, by more than 50 percent in taxes and social insurance contributions. The funds for lowering taxes should, after all, also be financed by removing or lowering tax privileges and subsidies.

The fact that the government will noticeably increase its investment expenditures in 1986 is welcome from the aspect of steadying demand. But the expansion of expenditures for investment purposes, passed this summer by the federal government for the years 1986-87, also provides for the financing of projects which cannot be considered growth-promoting. In these decisions, probably short term support for the construction industry dominated long term growth considerations. It is especially questionable that government once again shares the costs of promoting modernization of buildings through installation of heating and hot water equipment, which the owners themselves should bear, after weighing their usefulness. A different use of the funds set aside for this project would, without a doubt, be more efficient for the overall economy. In the measures to promote city renewal, again the mistake was made of setting a time limit, so that there is already incipient uncertainty in public investments.

Tabelle 1.

## Eckdaten der Prognose für die Bundesrepublik Deutschland

	(1) Absolute Werte			Veränderungen gegen Vorjahr in vH (2)		
	1984	1985 <sup>a</sup>	1986 <sup>a</sup>	1984	1985 <sup>a</sup>	1986 <sup>a</sup>
(3) Bruttosozialprodukt (Mrd. DM) in Preisen von 1980	1 534,8	1 568	1 612	2,7	2,25	3,0
(4) Beschäftigte Arbeitnehmer (1 000 Personen)	22 004	22 150	22 400	0	0,5	1,0
(5) Arbeitslose (1 000 Personen)	2 266	2 300	2 250 <sup>4</sup>	.	.	.
(6) Arbeitslosenquote <sup>1</sup> (vH)	9,3	9,4	9,1	.	.	.
(7) Verbraucherpreise <sup>2</sup>	.	.	.	2,4	2,0	2,0
(8) Leistungsbilanzsaldo <sup>3</sup> (Mrd. DM)	17,8	35	50	.	.	.
(9) Finanzierungssaldo Staat (Mrd. DM)	-33,8	-20	-20	.	.	.

<sup>1</sup> Bezogen auf alle Arbeitnehmer (Beschäftigte und Arbeitslose). — <sup>2</sup> Preisindex für die Lebenshaltung aller privaten Haushalte. — <sup>3</sup> Zahlungsbilanzstatistik. — <sup>4</sup> Die Verminderung der Zahl der Arbeitslosen als Folge der '58er Regelung' ist nicht berücksichtigt. — <sup>a</sup> Vorausschätzung der beteiligten Institute; Angaben gerundet.

Table 2. (1) Die wichtigsten Daten der volkswirtschaftlichen Gesamtrechnung  
(2) Vorausschätzung für die Jahre 1985 und 1986

	1984 <sup>1)</sup>	1985 <sup>2)</sup>	1986 <sup>2)</sup>	1985	1986		
	(5)	Jahre	(4)	1. Hj. <sup>1)</sup>	2. Hj. <sup>2)</sup>	1. Hj. <sup>2)</sup>	2. Hj. <sup>2)</sup>
					(5)		
(6)	1. Entstehung des Sozialprodukts						
(7)	Veränderung in vH gegenüber Vorjahr						
(8)							
(9)	Zahl der Erwerbstätigen	0,1	0,5	1	0,6	0,5	1
(10)	Arbeitszeit (arbeitsmäßig)	0,1	- 0,5	- 0,5	- 0,2	- 1	- 0,5
	Arbeitstage 3)	- 0,2	- 0,5	0	- 0,9	0,5	0
	Arbeitsvolumen (kalendermonatlich)	0	- 0,5	0	- 0,5	0	0,5
	Produktivität 4)	2,6	2,5	2,5	2,3	2,5	3
(11)							
(12)							
(13)	Bruttoinlandsprodukt zu Preisen von 1980	2,6	2,25	3	1,8	2,5	3,5

(14) 2. Verwendung des Sozialprodukts zu jeweiligen Preisen

(15) a) Mrd. DM

(16) Privater Verbrauch	987,5	1 021,5	1 072	490,9	530,5	515	557
Staatsverbrauch	350,2	364,5	380,5	168,4	196,5	175,5	205
Anlageinvestitionen	354,6	356,5	378,5	159,4	197	173,5	205
(17) Ausrüstungen	137,6	155	170	68,6	86,5	76	94
Bauten	217,0	201	208	90,8	110,5	97	111
Vorratsveränderung	11,3	14	14	24,1	- 10,5	22,5	- 8,5
(22) Außenbeitrag	50,1	75	93,5	30,7	44	46	47,5
(24) Ausfuhr	587,5	656,5	706	317,6	339	344	362
Einfuhr	537,3	581,5	612,5	286,9	295	298	314,5
(25) Bruttosozialprodukt	1 753,7	1 831	1 938,5	873,6	957,5	932	1 006,5

(26) b) Veränderung in vH gegenüber Vorjahr

Privater Verbrauch	3,1	3,5	5	2,6	4	5	5
Staatsverbrauch	4,1	4	4,5	4,1	4	4	4,5
Anlageinvestitionen	3,0	0,5	6	- 1,0	2	8,5	4
Ausrüstungen	1,5	13	9,5	16,6	10	11	8,5
Bauten	4,1	- 7	3,5	- 11,2	- 4	7	0,5
Ausfuhr	11,6	12	7,5	12,6	11	8,5	6,5
Einfuhr	10,3	8,5	5,5	9,2	7,5	4	6,5
Bruttosozialprodukt	4,6	4,5	6	3,6	5	6,5	5

(27) 3. Verwendung des Sozialprodukts zu Preisen von 1980  
(28) a) Mrd. DM

Privater Verbrauch	839,6	850,5	875	409,2	441,5	421,5	453,5
Staatsverbrauch	308,8	313,5	318,5	152,6	161	155	163,5
Anlageinvestitionen	314,9	310,5	323	139,5	171	149	174,5
Ausrüstungen	119,4	131,5	140,5	58,4	73	63,5	77
Bauten	195,5	179,5	182,5	81,1	98,5	85,5	97,5
Vorratsveränderung	9,2	12	13	18,6	- 6,5	17,5	- 4,5
Außenbeitrag	62,3	81	83	38,4	42,5	41,5	41,5
Ausfuhr	508,6	550,5	578,5	268,4	282	283,5	295
Einfuhr	446,3	469,5	496	230,0	239,5	242,5	253,5
Bruttosozialprodukt	1 534,8	1 568	1 612,5	758,3	809,5	784	828,5

(29) b) Veränderung in vH gegenüber Vorjahr

Privater Verbrauch	0,6	1,5	3	0,4	2	3	2,5
Staatsverbrauch	2,4	1,5	1,5	1,4	1,5	1,5	1,5
Anlageinvestitionen	0,8	- 1,5	4	- 3,0	0	6,5	2
Ausrüstungen	- 0,5	10	7	13,5	7,5	8,5	6
Bauten	1,6	- 8	2	- 12,2	- 4,5	5,5	- 1
Ausfuhr	8,0	8	5	9,0	7,5	5,5	4,5
Einfuhr	5,5	5	5,5	4,5	6	5,5	6
Bruttosozialprodukt	2,7	2,25	3	1,7	2,5	3,5	2,5

(30)

noch: Die wichtigsten Daten der volkswirtschaftlichen Gesamtrechnung

	1984 <sup>1)</sup>	1985 <sup>2)</sup>	1986 <sup>2)</sup>	1985	1986
	Jahre	1. Hj. <sup>1)</sup>	2. Hj. <sup>2)</sup>	1. Hj. <sup>2)</sup>	2. Hj. <sup>2)</sup>
(31) 4. Preisniveau der Verwendungsseite des Sozialprodukts (1980 = 100)					
(32) Veränderung in vH gegenüber Vorjahr					
Privater Verbrauch	2,5	2	2	2,2	2
Staatsverbrauch	1,7	2,5	2,5	2,6	2,5
Anlageinvestitionen	2,2	2	2	2,0	2
Ausrüstungen	1,9	2,5	2,5	2,7	2,5
Bauten	2,5	1	1,5	1,2	1,5
Ausfuhr	3,3	3,5	2	3,3	3,5
Einfuhr	4,5	3	- 0,5	4,5	1,5
Bruttosozialprodukt	1,9	2	3	1,9	2,5

(33)

5. Einkommensentstehung und -verteilung

(34) a) Mrd. DM

(35) Bruttoeinkommen aus unselbständiger Arbeit	951,1	990,5	1 037	462,9	527,5	485,5	551,5
(37) Bruttolohn- und -gehaltssumme (36)	768,0	798	834	373,2	425	390,5	443,5
(37) Nettolohn- und -gehaltssumme	522,0	535,5	562	253,2	282	265,5	296,5
Bruttoeinkommen aus Unternehmertätigkeit und Vermögen (38)	392,0	416,5	456,5	203,7	212,5	229,5	227
Nettoeinkommen aus Unternehmertätigkeit und Vermögen (39)	325,4	343	379	168,6	174,5	192,5	186,5
(40) Entn. Gewinne u. Vermögenseink. 5)	317,0	334,5	353,5	159,6	175	168	185,5
(41) Nichtentnommene Gewinne	8,4	8,5	25,5	9,1	- 0,5	24	1
Volkseinkommen (42)	1 343,1	1 407	1 493,5	666,6	740	715,5	779
(43) Abschreibungen	220,7	231	243	114,2	117	120	123
Indirekte Steuern abzügl. Subventionen (44)	189,9	193	202	92,8	100,5	97,5	104,5
Bruttosozialprodukt (45)	1 753,7	1 831	1 938,5	873,6	957,5	932	1 006,5

(46)

b) Veränderung in vH gegenüber Vorjahr

(47) Bruttoeinkommen aus unselbständiger Arbeit	3,2	4	4,5	3,4	5	5	4,5
(49) Bruttolohn- und -gehaltssumme (48)	3,0	4	4,5	3,3	4,5	4,5	4,5
(49) Nettolohn- und -gehaltssumme	1,7	2,5	5	2,0	3	5	5
(51) Bruttolohn- und -gehaltssumme je Beschäft. nachrichtlich: (50)	3,0	3	3,5	2,6	3,5	3,5	3,5
(52) Nettolohn- und -gehaltssumme je Beschäft.	1,6	2	4	1,4	2	4	4
Bruttoeinkommen aus Unternehmertätigkeit und Vermögen (53)	8,6	6	9,5	4,9	7,5	12,5	7
Nettoeinkommen aus Unternehmertätigkeit und Vermögen (54)	8,6	5,5	10,5	3,9	7	14	7
(55) Entn. Gewinne u. Vermögenseink. 5)	8,9	5,5	5,5	5,7	5,5	5,5	6
(56) Volkseinkommen (57)	4,7	4,5	6	3,9	5,5	7	5
(58) Abschreibungen	4,7	5	5	4,7	5	5	5
(58) Indirekte Steuern abzügl. Subventionen	4,0	1,5	4,5	0,1	3	5	4
Bruttosozialprodukt (59)	4,6	4,5	6	3,6	5	6,5	5

(60)

6. Einkommen und Einkommensverwendung der privaten Haushalte

(61) a) Mrd. DM

(62) Nettolohn- und -gehaltssumme	522,0	535,5	562	253,2	282	265,5	296,5
Empfangene laufende Übertragungen 6) (63)	290,5	298	309,5	148,6	149,5	154	155,5
(64) Entn. Gewinne u. Vermögenseinkommen	355,8	374	396	181,4	192,5	191,5	204,5
Abzüge: (65)							
(67) Zinsen auf Konsumentenschulden (66)	17,4	17	17,5	8,6	8,5	8,5	9
Geleistete laufende Übertragungen 7)	34,0	35	37	16,7	18,5	17,5	19,5
Verfügbares Einkommen (68)	1 116,9	1 155	1 212,5	557,9	597	584,5	628
(70) Privater Verbrauch (69)	987,5	1 021,5	1 072	490,9	530,5	515	557
Ersparnis	129,4	134	140,5	66,9	67	69,5	71
Ersparnis in vH des verfügbaren Einkommens (Sparquote) (71)	11,6	11,5	11,5	12,0	11	12	11,5



(72) noch: Die wichtigsten Daten der volkswirtschaftlichen Gesamtrechnung

	1984 <sup>1)</sup>	1985 <sup>2)</sup>	1986 <sup>2)</sup>	1985		1986	
	Jahre			1. Hj. <sup>1)</sup>	2. Hj. <sup>2)</sup>	1. Hj. <sup>2)</sup>	2. Hj. <sup>2)</sup>

(73) b) Veränderung in vH gegenüber Vorjahr

(75)	Nettolohn- und -gehaltssumme (74)	1,7	2,5	5	2,0	3	5	5
(76)	Empfangene laufende Übertragungen 6)	1,1	2,5	4	2,4	3	3,5	4
	Entn. Gewinne u. Vermögenseinkommen	8,4	5	6	5,3	5	5,5	6,5
	Verfügbares Einkommen (77)	3,6	3,5	5	3,2	3,5	5	5
(79)	Privater Verbrauch (78)	3,1	3,5	5	2,6	4	5	5
	Ersparnis	6,9	3,5	5	7,7	- 0,5	4	6

(80) 7. Einnahmen und Ausgaben des Staates<sup>8)</sup>

(81) a) Mrd. DM

(82)	Einnahmen (83)	439,1	460,5	478	215,7	245	224,5	253
(84)	Steuern	305,5	321,5	337	151,2	170	158,5	178,5
	Sozialbeiträge	31,2	33,5	33	16,8	16,5	17	16
(86)	Erwerbseinkünfte (35)	21,1	21,5	22	10,0	11,5	10	12
	Sonstige laufende Übertragungen	5,9	5,5	5,5	2,4	3	2,5	3
	Empfangene Vermögensübertragungen (87)							
	Einnahmen insgesamt (88)	802,9	842	875	396,0	446	412,5	462,5
(89)	Ausgaben							
(91)	Staatsverbrauch - (90)	350,2	364,5	380,5	188,4	196,5	175,5	205
	Zinsen	52,7	55,5	57,5	30,1	25,5	31	26,5
(93)	Laufende Übertragungen an (92)	369,6	380,5	394,5	188,5	192	195	199,5
	Private Haushalte	299,0	307	317,5	153,7	153	158,5	159
	Unternehmen - (94)	40,0	41,5	42,5	18,9	22,5	19,5	23
(95)	Ausland	30,6	32	34,5	15,8	16	17	17,5
	Geleistete Vermögensübertragungen (96)	34,8	32,5	31,5	13,8	18,5	12,5	19
	Nettoinvestitionen (97)	29,5	28,5	31	10,6	18	12,5	18,5
	Ausgaben insgesamt (98)	836,7	861,5	895	411,3	450,5	426,5	468
	Finanzierungssaldo (99)	- 33,8	- 20	- 20	- 15,3	- 4,5	- 14,5	- 5,5

(100) b) Veränderung in vH gegenüber Vorjahr

(101)	Einnahmen (102)	5,9	5	4	3,7	6	4	3,5
(103)	Steuern	4,8	5	5	4,8	5,5	5	5
	Sozialbeiträge	1,7	7	- 1,5	5,6	8	0	- 3
(105)	Erwerbseinkünfte (104)	6,2	1	3	0,4	1,5	0,5	5,5
	Sonstige laufende Übertragungen	7,1	- 10,5	0,5	- 13,2	- 8	- 1	2
	Empfangene Vermögensübertragungen (106)							
	Einnahmen insgesamt (107)	5,2	5	4	4,0	5,5	4	4
(108)	Ausgaben							
(110)	Staatsverbrauch (109)	4,1	4	4,5	4,1	4	4	4,5
	Zinsen	5,1	5	4	6,0	4,5	4	3,5
	Laufende Übertragungen an - (111)	3,6	3	3,5	3,0	3	3,5	4
(112)	Private Haushalte	1,5	2,5	3,5	2,7	2,5	3	3,5
(114)	Unternehmen - (113)	12,3	4	2,5	2,7	5	3	2,5
	Ausland	15,6	4,5	8	6,8	2,5	7,5	8,5
	Geleistete Vermögensübertragungen (115)	11,5	- 6,5	- 3	- 6,1	- 6,5	- 9,5	2
	Nettoinvestitionen (116)	- 1,1	- 3	8	- 10,5	1,5	19	1,5
	Ausgaben insgesamt (117)	4,0	3	4	2,9	3	3,5	4

1) Nach Angaben des Statistischen Bundesamtes (vgl. Wirtschaft und Statistik, Heft 9/1985); Arbeitszeit und Produktivität nach eigenen Berechnungen; Abweichungen in den Summen durch Rundung der Angaben in Mrd. DM bedingt.  
 - 2) Vorausschätzungen der beteiligten Institute; Angaben gerundet. - 3) Veränderung der Zahl der Arbeitstage nur zur Hälfte berücksichtigt. - 4) Bruttoinlandsprodukt zu Preisen von 1980 je Erwerbstätigenstunde. - 5) Nach Abzug der Zinsen auf Konsumentenschulden. - 6) Soziale Leistungen abzüglich der Lohnsteuer auf Pensionen und der Beiträge des Staates für Empfänger sozialer Leistungen. - 7) Nichtzurechenbare Steuern, Sozialversicherungsbeiträge der Selbständigen, Hausfrauen u. ä., Rückerstattungen und sonstige laufende Übertragungen an den Staat, Nettoprämien für Schadenversicherungen abzüglich Schadenversicherungsleistungen, internationale private Übertragungen. - 8) Gebietskörperschaften, ERP, Lastenausgleichsfonds und Sozialversicherung.

Table 1. Standard Data of Prognoses for the FRG

Key:

1. Absolute values
2. Changes compared to previous year in percent
3. GNP (billion DM) in 1980 prices
4. Employed persons (1,000 persons)
5. Unemployed (1,000 persons)
6. Unemployment rate<sup>2</sup>
7. Consumer prices<sup>2</sup>
8. Balance on current account<sup>3</sup>
9. Financial balance of government (billion DM)

\*1 Refers to total labor force (employed and unemployed).--<sup>2</sup> Price index for cost of living of all private households.--<sup>3</sup> Balance of payment figures.--<sup>4</sup> The drop in the number of unemployed as a result of the "age 58 regulation" is not taken into account.--<sup>a</sup> Pre-estimates by the participating institutes; figures rounded off.

Table 2.

Key:

1. The Most Important Data of National Accounts
2. Pre-estimated for 1985 and 1986
3. Years
4. First half of year
5. Second half of year
6. Origin of the national product
7. Changes in percent compared to previous year
8. Number of employed
9. Work time (based on work days)
10. Work days
11. Work volume (calendar months)
12. Productivity
13. Gross domestic product at 1980 prices
14. Use of national product at prevailing prices
15. Billion DM
16. Private consumption
17. Government consumption
18. Fixed capital formation
19. Machinery and equipment
20. Buildings
21. Changes in stock
22. External contribution
23. Exports
24. Imports
25. Gross national product
26. Change in percent compared to previous year
27. Use of national product at 1980 prices
28. Billion DM
29. Change in percent compared to previous year

(Continued on next page)

30. Continued: The Most Important Data of National Accounts
31. Price level of use of national product (1980 = 100)
32. Changes in percent compared to previous year
33. Income creation and distribution
34. Billin DM
35. Gross income from paid employment
36. Total of gross wages and salaries
37. Total of net wages and salaries
38. Gross income from entrepreneurial activity and property
39. Net income from entrepreneurial activity and property
40. Profits and property incomes withdrawn
41. Retained profits
42. National income
43. Write-offs
44. Indirect taxes, minus subsidies
45. Gross national product
46. Changes in percent compared to previous year
47. Gross income from paid employment
48. Total of gross wages and salaries
49. Total of net wages and salaries
50. for information:
51. Gross wage and salary per employed
52. Net wage and salary per employed
53. Gross income from entrepreneurial activity and property
54. Net income from entrepreneurial activity and property
55. Profits and property incomes withdrawn
56. National income
57. Write-offs
58. Indirect taxes, minus subsidies
59. Gross national product
60. Income and income use of private households
61. Billion DM
62. Total of net wages and salaries
63. Current transfers received
64. Profits and property incomes withdrawn
65. Deductions:
66. Interest on consumer debts
67. Current transfers paid
68. Available income
69. Private consumption
70. Savings
71. Savings in percent of available income (saving ratio)

Continued on next page

72. Continued: The Most Important Data of National Accounts
73. Changes in percent compared to the previous year
74. Total of net wages and salaries
75. Current transfers received
76. Profits and property incomes withdrawn
77. Available income
78. Private consumption
79. Savings
80. Government revenues and expenditures
81. Billion DM
82. Revenues
83. Taxes
84. Social contributions
85. Revenues from public undertakings
86. Other current transfers
87. Property transfers received
88. Total revenues
89. Expenditures
90. Government consumption
91. Interest
92. Current transfers to:
93. Private households
94. Enterprises
95. Foreign countries
96. Property transfers carried out
97. Net investments
98. Total expenditures
99. Financial balance
100. Changes in percent compared to previous year
101. Revenues
102. Taxes
103. Social contributions
104. Revenues from public undertakings
105. Other current transfers
106. Property transfers received
107. Total revenues
108. Expenditures
109. Government consumption
110. Interest
111. Current transfers to:
112. Private households
113. Enterprises
114. Foreign countries
115. Property transfers carried out
116. Net investments
117. Total expenditures

Footnotes: 1) According to data of the Federal Office of Statistics (see WIRTSCHAFT UND STATISTIK, 9/1985); work time and productivity according to own computations; differences in totals due to rounding off of figures in billion DM.-- 2) Pre-estimates by participating institutes; figures

rounded off.-- 3) Only half of the change in number of working days were taken into account.-- 4) Gross domestic product at 1980 prices per employee working hour.-- 5) After deduction of interest on consumer debts.-- 6) Social insurance payments, less wage taxes on pensions and government contributions to recipients of social insurance payments.-- 7) non-assignable taxes, social insurance contributions of the self-employed, housewives, etc., restitutions and other current transfers to the government, net premiums for indemnity insurance less payments by indemnity insurances, international private transfers.-- 8) Central, regional, and local authorities, European Recovery Program, Equalization of Burdens Fund, and social insurance.

9917

CSO: 3620/103



## BUSINESSES ENCOURAGED TO INCREASE COOPERATION WITH PRC

## Loss of Market Feared

Frankfurt/Main FRANKFURTER ZEITUNG/BLICK DURCH DIE WIRTSCHAFT in German 9 Oct 85 p 2

[Article by Js: "More Courage for Involvement in China': German Companies Cautious on Joint Ventures: Chinese Delegation Visits Cologne"]

[Text] Dusseldorf--Heinrich Weiss, the chairman of the Work Group on China of the Eastern Committee of the German Economy, would like to give German businessmen greater encouragement to become economically involved in China. German machine and plant construction does enjoy high esteem in China and last year ended up in first place, ahead of Japan. However, the Japanese and the Americans are taking advantage of the recent opportunities in China with greater energy and daring than are the Germans. Thus, the total Japanese volume of trade with China is six times and that of the Americans three times that of the Germans.

China is very much of interest to German industry not only as a trading partner, but also as a base for opening the entire Far Eastern market. For many German industrial products that are no longer competitive in the Far East on a direct export basis, China represents an attractive location for production. The new Chinese leadership is flexible in structuring forms of cooperation and joint ventures. Foreign majority participation has also been accepted lately outside the free trade zones. Through joint ventures of this type, the Chinese hope to achieve an infusion of capital and technology as well as opportunities in the export of industrial products.

The task of straightening out the sharply unequal balance of trade through increased exports and through a sharp reduction in rising imports is presently one of the most urgent problems for the Chinese leadership, says Weiss, who recently visited China. The strong real growth (plus 14 percent last year) unleashed in China a powerful flow of imports, including consumer goods, and resulted in dwindling foreign currency reserves, a situation that could no longer be tolerated. This is why the latest five-year-plan (beginning on 1 January 1986) foresees an annual real growth of "only" 6.7 percent. Steps designed to dampen the economic boom and imports have been introduced. Weiss does not see any danger of agreements being cancelled, as was the case in

1981. There is a desire not to put any further burdens on China's international reputation. First priority in imports is clearly for capital goods that will serve to strengthen the industrial base.

It is precisely for this reason that German industry would have good opportunities to give more time and attention to Chinese desires. The Eastern Committee of the German Economy is to receive a Chinese delegation on 14 October in Cologne, which will propose 84 projects in the so-called "14 open coastal cities" and discuss them with representatives of German industry.

#### Electronics Contributions Desired

Munich SUEDEDEUTSCHE ZEITUNG in German 5 Sep 85 p 24

[Article by Juergen Forster: "Electronics Firms Missing Their Chance in Business with China: East Asian Institute Sees Great Amount of Interest in German Cooperation After Field Study in Shanghai"]

[Text] Bonn, 4 September--German industry is running the risk of missing its chance in competition with foreign suppliers on the Chinese electronics market. The East Asian Institute in Bonn has reached this conclusion in the first evaluation of a four-week-long intensive field study in Shanghai. According to the study, the great amount of Chinese interest in cooperation with German companies is in many cases not being met by the necessary initiatives for cultivating contact and market share.

According to observations by the institute, the inadequate presence of West German firms from the electronics industry is especially obvious in the industrial region of Shanghai, where for years a large-scale effort has been made to modernize industry and to undertake far-reaching structural changes in the economy. The city's leadership is in particular pursuing the ambitious goal of making Shanghai the center of the Chinese high tech industry. In the leading circles of the Shanghai economy, there is supposedly a great amount of interest in cooperating closely with companies from the FRG in developing the computer and semiconductor industry. The image of the German economy is in every way good.

However, the offers of cooperation are apparently being met with too little interest from the FRG. In talks with Chinese economic experts, there is an increasing feeling of astonishment and disappointment at the fact that the FRG is yielding to American and Japanese competitors, the institute's expert on China, Detlef Renn, told SUEDEDEUTSCHE ZEITUNG at the end of the field study in Shanghai. He said that there is an image gradually developing in China of an FRG that is indeed economically strong, but in which the electronics sector is underrepresented. This is especially regrettable because, as far as the desired transfer of know-how from the West is concerned, there have thus far been no completely satisfactory forms of cooperation with Japan. Japan's industry is allegedly more interested in sales than in economic cooperation on an entrepreneurial level.

The study, which is being drawn up at the East Asian Institute with the cooperation of the Massachusetts Institute of Technology (MIT) and which is entitled "Die Modernisierung der chinesischen Elektronikindustrie: Der Fall Shanghai" [The Modernization of the Chinese Electronics Industry: The Case of Shanghai], will be out in spring of next year. The research is being financed by the Volkswagen Works Foundation. The plans are to include a comprehensive stocktaking of activities up to now and an analysis of industrial-political options in Shanghai's electronics sector.

The plans to develop the high tech sector in Shanghai are concentrated in particular on the expansion of the microelectronics industry. A center for the production of VLSI (Very Large-Scale Integrated Circuits) is in the process of being developed. The communications technology sector is also to be expanded. Without foreign participation, including joint ventures, the realization of this program must be seen as doubtful. Moreover, because of a smouldering rivalry between Beijing and Shanghai, the pursuance of these plans has not always enjoyed the support of the central government. With the election of the former minister for the electronics industry to the post of mayor of Shanghai in July of this year, Shanghai economic experts are hoping for an improvement in the situation.

The opportunities for German firms to enter the Chinese electronics market as suppliers of production facilities and technological know-how are being viewed as favorable. In addition, the Chinese are emphasizing a great amount of interest in support in the area of management. According to observations made by the East Asian Institute, problems of operational organization have up to now in many cases been the cause of failure in optimizing industrial production.

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CSO: 3620/73

## DAIMLER TO BECOME MAJOR AEG STOCKHOLDER

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 12 Oct 85 p11

[Article by fz: "Daimler Wants to Invest in AEG/ AEG Stock Trading Suspended/ Indirect Confirmation by Anti-Trust Commission/ Stock at DM 1035"]

[Text] FRANKFURT. It seems that Daimler-Benz AG would like to become a major shareholder of AEG. For the time being this is confirmed only by the Federal Anti-Trust Commission in Berlin; on Friday, it was not possible to get a statement from the two companies themselves

Daimler Benz AG told the Federal Anti-Trust Commission that next week it will register the acquisition of shares in AEG according to the regulations of the law against restraint of competition. From the point of view of the Anti-Trust Commission the project constitutes a major merger which must be investigated by the office before it can be implemented. In this case it is not primarily the market shares of the two concerns which will be compared. Rather, the so-called resource theory will probably play a major role, which checks a merger with its "concentrated capital power" as a criterion. However, even if Daimler-Benz would acquire a majority of shares in AEG the company would not necessarily encounter difficulties, since both companies are exposed to international competition and therefore their position will probably be compared to those of comparable companies worldwide. On Friday, the price of the AEG stock rose to DM 181 in the hours before the official stock exchange opening. Evidently, the rumors concerning a possible involvement of Daimler in AEG had become so numerous that trading in the stock was suspended even before the stock exchange opened.

Recently, the price of the AEG stock has been increasing considerably. In retrospect this increase was considered to be due to the purchases of the new major stockholder. Up to the middle of last year the price was just below DM 100 for a while. Since then, despite certain fluctuations the price has increased steadily. Last Thursday the stock was listed at DM 165.

On Friday, in agreement with AEG the Dresdner Bank as the leading investment bank of the electrical company applied for suspension of trade in AEG stocks at all eight German stock exchanges. AEG announced an "important statement" for Monday.

On Friday, the price of the Daimler stock jumped from DM 979 to DM 1,035. It is said that Daimler aims at a majority stake in AEG. It is assumed that Daimler already owns a block of shares and wants to increase it further by taking over holdings which are currently in the hands of the AEG syndicate banks. In stock exchange circles it is felt that Daimler's interest in AEG is due both to the business development of the electrical company so far and to tax considerations. Daimler expects an excellent year-end financial statement and it is said that the company could gain tax advantages by using the AEG loss carry-forward of approximately DM 3 billion.

AEG is active in all areas of electrical engineering, however, during its reorganization it gave up entertainment electronics, traffic signal technology and communications technology. In 1984 the company and its subsidiaries had sales of DM 11 billion worldwide, this year the figure is expected to be similar. The company has a total of approximately 73,000 employees. During the general stockholders' meeting in June chief executive Heinz Duerr estimated the operating profit without special carry-forward items at DM 100 million.

12831  
CSO 3620/54



## TELTSCHIK DISCUSSES MBB AND DORNIER PARTICIPATION IN SDI

Munich SUEDEDEUTSCHE ZEITUNG in German 30 Sep 85 p 24

[Article by rm: MBB and Dornier in the Sights of SDI: For the Time Being, Devices for Use in Space for Research Purposes Only"]

[Text] Two devices for use in space which were developed in the Federal Republic of Germany for purposes of scientific research have met with interest on the part of the American planners of a missile defense system based in space. In talks between the German study commission, led by extra-parliamentarian advisor to the chancellor Horst Teltschik and U.S. Air Force General James Abrahamson in the Pentagon in Washington, who has been charged with directing research activities towards the realization of the Strategic Defense Initiative (SDI), attention turned both to the reusable Space Shuttle Satellite (SPAS) developed by the private initiative of Messerschmitt-Boelkow-Blohm GmbH (MBB) in Ottobrunn near Munich, as well as to the instrument platform Instrument Pointing System (IPS), built by the Dornier System GmbH, Friedrichshafen and Munich, which was developed for the alignment of telescopes, sensors, spectrometers and cameras in space.

Both of these products of German high technology have already passed initial testing in space. Their further implementation is definitely planned. A high-ranking MBB official was part of the Teltschik commission, while Dornier has up until now only carried out individual talks in the U.S.A. Meanwhile, however, both firms have been asked by American firms engaged in space technology to combine their efforts, in order in this way to obtain technological know-how.

Initially, both MBB and Dornier are interested in the continued utilization of their satellites for scientific purposes. SPAS was utilized during the seventh and eight shuttle flights in June 1983 and February 1984. It was equipped with the earth surveillance device MOMS, two material experiments (MAUS), a mass spectrometer, a solar cell experiment, a geosensor, two thermal tubes, two color TV cameras and a 70-mm camera, to which we owe the first shots of the space shuttle flying in space.

The successes of the first two missions encouraged the Ottobrunn satellite manufacturer to found a multinational firm in the USA for the commercial exploitation of future earth surveillance flights. This firm, which was called SPARX and which was founded together with the U.S. news agency Comsat

and a Scandinavian group, was unable to begin operations, however, because the American Landsat legislation concerning the utilization of photographs of earth taken from space did not allow such activities.

SPAS now stands, packed in an air-tight container, at the Ottobrunn plant, awaiting its next space flight. Negotiations between the Federal Ministry for Research and Technology and the U.S. space agency NASA concerning a scientific application are about to be concluded. In order to be able to carry out astronomical observations with a telescope as payload, SPAS would have to be reconstructed, however. At one time, discussions also included carrying the German infrared laboratory (GIRL), an idea that has been dropped for financial reasons. In any case, it is very likely that Astrospas, as the astronomical satellite is called, will be sent to space.

The instrument alignment system, built under the auspices of the European Space Agency (ESA), passed the test of trial implementation during the second Spacelab flight this past July. After initial difficulties (the shuttle did not reach its planned orbit because a main engine had been switched off by mistake), the solar observations of the launched telescope completely fulfilled the expectations of scientists. The IPS will be included again next March in a space mission planned to follow and observe Halley's comet.

Both of the alignment systems delivered by Dornier are, in keeping with the plans of American and European space experts, planned exclusively to carry out scientific tasks. Therefore there is no reason as of now to consider a test within the framework of the SDI program. It can be assumed that completely new devices would have to be built for military purposes, which would better meet the requirements of use in space.

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CSO: 3620/49

## SIEMENS INVESTMENTS IN BERLIN CREATE 1100 NEW JOBS

Hamburg DIE WELT in German 2 Oct 85 p 15

[Article by tb: "SIEMENS/ Extensive Investments in Berlin Continue - 1100 New Jobs"]

[Text] The Siemens group will create approximately 1,100 new jobs in Berlin for the medium term. At present, with an investment of more than DM 200 million the company is building a plant in Berlin where components for fiber glass communications networks will be produced starting in 1987. As Siemens chief executive Karlheinz Kaske indicated in Berlin yesterday, two thirds of the 600 new jobs in this plant alone will go to qualified engineers, technicians and skilled workers.

In addition, manufacturing facilities for electronic control devices totaling DM 150 million with 550 new jobs are being built in Berlin. Production is also scheduled to start in 1987.

At that time, Siemens AG and the Siemens companies KWU, Osram Vacuumschmelze und Volta-Werke will be represented in the city with 16 manufacturing plants. In the past five years the electrical concern invested DM 1.2 billion in Berlin, in the business year just ended investments exceeded DM 250 million.

Siemens is spending an approximately equal amount on research and development in the city. In Kaske's words: "Together with the expenditures for training 1,800 young people and the continuing education of its employees Siemens invests more than DM 500 million per year in the future of its Berlin activities." In the fiscal year 1984/85 which just ended (30 Sep) Siemens hired 1,500 additional employees in Berlin.

Dirk Forkel, chief of the Central Berlin Management, retired yesterday. His successor is Joachim Putzmann. The native Berliner who has been an executive director since 1981 did a business apprenticeship in the company. After studying business administration in Berlin he started in Karlsruhe in 1958, where he became business manager of the plant for measurement technology and process automation eight years later. Most recently, he was business manager for energy and automation technology.

12831

CSO:3620/53

## BONN DENIES THAT GDR LABOR CONTRACTS CREATE JOB LOSS

Duesseldorf HANDELSBLATT in German 23 Sep 85 p 7

[Article by sm: "Eastern Block Firms/ Federal Ministry of Labor Rejects Labor Union Accusations--"Labor Contracts Help Secure and Promote Employment in This Country"]

[Text] Bonn. Agreements between governments regarding labor contracts between German companies and East European countries help secure and promote employment in the Federal Republic. With this comment the Federal Ministry of Labor rejects accusations--in particular on the part of the construction union--that workers from these countries and the GDR are taking away jobs from their colleagues in the Federal Republic.

However, due to the present difficulties in the construction industry talks are currently being held with the appropriate GDR authorities regarding the use of construction crews from the GDR for construction projects in the Federal Republic. According to the Ministry, it is the objective of these talks to get a continuous, up-to-date overview over the extent of GDR construction services and the number of workers sent.

The reason is that this number is not recorded at present, since the workers from the GDR are Germans according to the Basic Law and therefore do not require a labor or residency permit. However, the Ministry of Labor is quoting information from the GDR, according to which approximately 1,000 construction and assembly workers are currently working in the Federal Republic.

In contrast to this, the number of West German employees which are engaged in the delivery and set-up of installations in the GDR is larger. The basis for the labor contracts with the GDR is the Berlin Agreement of 20 Sep 1951. According to the Federal Ministry of Labor the labor contracts require a permit, which is given in a general form on the condition that a reasonable compensation is agreed upon. In case of labor contracts with GDR companies the appropriateness of prices can be checked by a price audit procedure.

In contrast to the GDR there are exact data available on the activity of labor contract firms of the other countries with government-controlled foreign trade countries and Yugoslavia. At the end of July a total of 8,651 employees were

working in the Federal Republic under labor contracts. Approximately 3,600 of them worked in the metals industry, 2,400 in construction and 2,100 in mining.

According to the Ministry, the foreign workers from these countries who are employed as part of the economic cooperation based on labor contracts require a labor permit which may be granted only if the job opportunities for German employees and foreign employees on an equal level are not impaired and if the working conditions of the employees, in particular wages are not more unfavorable than those for comparable German employees.

As the Ministry indicated, the consistent enforcement of the work permit law resulted in a reduction of the number of employees from the Eastern Bloc countries who work based on labor contracts from approximately 26,000 at the end of October 1981 to less than 8,700 at the end of July of this year.

As the Federal Ministry of Labor states, the government agreements regulate the economic cooperation between these countries and the Federal Republic. At the same time, they ensure the business activity of German companies in these countries. Moreover, the foreign currency receipts for services based on labor contracts are being used by these countries for debt service and to increase imports from the Federal Republic. Thus, they help secure and promote employment in the Federal Republic.

12831

CSO 3620/ 50



## IG METALL PLANS TO IMPROVE WAGES, UNION RELATIONSHIP

## Tariff Commission Plans Change

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 5 Oct 85 p 13

[Article by Hmr: "Stuttgart IG-Metall Wants Substantial Wage Increases in 1986/ Reduction in Working Hours Not Until 1987/ Preliminary Decision in Managing Board/ Set-Back for Janssen"]

[Text] STUTTGART, 2 Oct. An important decision has now been made for the next round of labor negotiations in the metals industry. The Great Commission for Wage and Salary Rates which is responsible for the three districts in Baden-Wuerttemberg decided by a large majority to strive first towards increases in wages and salaries and only in a second phase towards a further reduction in working hours.

Stuttgart district leader Ernst Eisenmann said that the agreements on wage and salary rates will be terminated as of March 31, 1986. A decision on how much wage increase will be demanded is to be made by the beginning of next year. He said that it is the objective of the coming round of labor negotiations to improve considerably the real income of employees, to strengthen the purchasing power of the population and to terminate the "redistribution in favor of employers". Eisenmann pointed out that net profits increased by 31.5 percent between 1982 and 1984, that the car industry in Baden Wuerttemberg is "drowning in money" and that the wage ratio in the metals industry has been continuously decreasing in the last few years.

The vote of the South-Western district where close to half a million people are employed in the metals industry is important because traditionally these districts have been pace setters in labor negotiations in the metal industry. In addition, this possibly means that a preliminary decision was taken, since up to now there have been differing opinions in the managing board of the IG Metall regarding the priorities of their wage rate policy.

In Stuttgart, Hans Janssen, the board member responsible for the wage rate policy advocated a termination of the basic labor contract regulating working hours as of September 30, 1986. However, this would mean that the next wage

and salary rate would be in effect for only six months, since the employers--following the general logic of labor rate negotiations--would point out that the negotiations starting in September 1986 should cover both income and working hours. Indeed, Janssen has not been able to convince the members of the wage rate commission. In the opinion of the Stuttgart District and the Great Commission on Wage and Salary Rates the result which can be obtained is worse than it would be for a full year.

It is said that deputy labor union leader Franz Steinkuehler adopted a position similar to that of the Stuttgart district. In a closed-door session in January of next year the managing board will finalize the labor rates policy for the following months and years. However, a decision against Baden-Wuerttemberg seems rather improbable because of the influence of the Stuttgart district and the decision of the Great Commission for Wage and Salary Rates which can be considered to reflect the mood among members. However, Eisenmann affirmed that he would also follow a different decision of the managing board. So far the Great Commissions for Wage and Salary Rates of five districts have commented on their priorities with regard to labor policies. Three of them, those for Hesse, Rheinland-Pfalz and the Saar, tend to attach more importance to a reduction in working hours, two, those for Lower Saxony and Berlin, prefer improvements in income.

As the Stuttgart district sees it, substantial wage and salary increases are to take effect April 1 with the labor contract running for about one year. According to present plans, further reductions in working hours are to be achieved beginning in 1987. However, under these circumstances it is possible that negotiations in early 1987 will have to cover both wages and working hours. Evidently, the labor union accepts this, first, because it expects to be able to mobilize its members at that time and secondly, because at that time parliamentary elections will be coming up.

The Employers' Association Gesamtmetall in Cologne reported on Wednesday that in July 1985 the metals industry hired more than 36,700 new employees. This is the highest figure since the middle of 1984. Since June 1984 the companies have been hiring a total of almost 160,000 new employees, of those 30,000 salaried personnel and 130,000 wage earners. At the same time the number of workers on reduced hours decreased from 135,000 to 18,000 which is equivalent to more than 30,000 additional full-time jobs. As Kirchner, chief executive of Gesamtmetall, points out this proves that a supply-oriented wage policy pays off in the labor market as well. In his word, the reduction in working hours played only an insignificant role.

#### Employers Confront Labor Union

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 5 Oct 85 p 13

[Article by Vr: "Horror Stories about IG Metall/ Mayr: No Fall-Out within Labor Union/ Contradictions Among Employers"]

[Text] FRANKFURT, 4 Oct. At the Federal Trade Conference of his organization, IG Metall leader Hans Mayr told that Gesamtmetall, the Employers' Association in the metal industry, is spreading "horror stories" about the IG Metall among

the public. On the other hand, it claims to strive towards a new relationship with the labor union based on trust. According to Mayr such inconsistencies are in reality an expression of insecurity in the employers' camp. Mayr considers this to be after-effects of last year's strike. With these statements Mayr responded to a speech by Stumpfe, chairman of Gesamtmetall, in which he talked about a "marxistic" and a "cooperative-pragmatic" wing in the IG Metall. Mayr stated now that there was no disunity, quarrel or strife within IG Metall at all.

Mayr added that the labor union was able to get through the labor conflict last year only because it was united and determined. In this context he talked about a "pile of shattered pieces" which the employers left within their own ranks after the labor conflict. "If the gentlemen would finally analyze the past strike with self-criticism they could also find a new, more rational relationship with IG Metall."

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CSO: 3620/52

## MICROELECTRONICS BOOSTS TRADE IN MACHINE-TOOL INDUSTRY

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 25 Sep 85 p 13

[Article by Klaus Kemper: "From Makers of Machine-Tools to Systems Houses: The Machine-Tool Industry Undergoes Radical Changes"]

[Text] "That had never happened before. People simply come and buy directly machines that cost 1 m DM and more, directly from the stand. And these are not major customers, but rather small and medium-sized businesses." Although this statement was made by just one of the 1,885 exhibitors at the Sixth European Machine-Tool Exhibition (EMO) in Hannover, the description is not limited to an individual case. Business was excellent at all of the exhibition stands at this fair and there was talk everywhere of the surprising number of contracts signed. The demand for machine-tools, which had just begun to recover at the end of 1983, has in the meantime increased quite dramatically. In the first half of this year, German manufacturers alone reported an increase in orders received of over 50 percent, and--if the fair barometer is correct--demand seems to be increasing steadily.

For about three years, the customers of the machine-tool industry, the large automobile manufacturers and their suppliers, machine construction and the electrical engineering industry, which together account for about 90 percent of sales in machine-tool production, have held back with new investments. This was due in part to the economic situation in which the companies found themselves, but also to their desire to wait for the technological progress which had already begun to show itself in the machine-tool industry. Evidently the wait has paid off. The innovative thrust brought about by the consistent application of microelectronics in all branches of the machine-tool industry over the past three to four years is enormous. Catchwords such as "production cell," "fully automated manufacturing", or "flexible automation" have all become insignias for a development that is headed towards a complete restructuring of manufacturing technology throughout the entire metal-processing industry. In the meantime, the engineers have not only transferred the decisive control functions for all turning, drilling and milling machines to microelectronics, but they have also begun to integrate the individual machines into a complete system of automated manipulating and loading, of measuring and monitoring devices.

"It is no longer important at all if perhaps one machine is able to turn or mill faster than another," one manufacturer explained with regard to his customers' requirements; "it is much more important that the machine is able

to machine as completely as possible the most different types of pieces with a great degree of precision and with minimal change-over time, on the one hand, and that loading and output can largely be automated, on the other." The machine-tool manufacturer has gradually become a systems house. The software program, the peripherals of the machine, the possibility of linkage with other processing systems are rapidly becoming increasingly important in the machine-tool industry. "In the future, we will no longer grow by selling more cast iron, but rather by selling more electronics and software," the head of a leading German machine-tool company explained with regard to the new situation. A statement made elsewhere, that today businesses are hiring more software specialists, physicists and mathematicians than engineers, points in the same direction. Individual businesses in this industrial sector already base about one-half of their total sales on software and systems solutions, which they sell along with their machines.

Nonetheless, this development is only in its initial phases, yet it will lead to a growing separation in terms of space, to the enhanced uncoupling of man from machine, and could finally result in an fully-automated computerized factory. In this process, the machine-tool industry has a key role to play, as shown by the trade fair in Hannover, the largest of its kind in the world. The machine-tool is, after all, the machine's machine. Without it, cars and aircraft, screws and transmissions and many other machines could not be manufactured.

The strong competitive position held today by the German machine-tool industry beside its Japanese and American competition is due solely to the circumstance that it was successful over the last few years in building more intelligent machines by means of enormous developmental outlays. This shows that it is not simply a matter of the often cited production of chips, but also of the intelligent transfer of technological progress to traditional machines. All representatives of the sector agreed in Hannover that in the coming years, the factor of "intelligence," and thus of software and systems solutions will become increasingly important in the competition for customers, "which, however, should not cause us to permit ourselves to be pushed aside into the all too small market for highly specialized custom-built machines," added one of the manufacturers. "On the contrary, we have to build cleverly-designed serial machines." This warning does not come out of the blue. After all, the clientele of the machine-tool industry does not consist solely of large automobile or electrical engineering corporations. In the FRG alone, of the roughly 18,000 metal processing plants, between 70 and 80 percent employ fewer than 100 workers. At the moment, the greatest demand comes from precisely these small businesses which can especially benefit from the considerable opportunities for rationalization because of the high degree of flexibility of the computerized machine-tools, with a simultaneous increase in production.

Despite this technological progress, the German machine-tool industry has had to face one problem that still exists today. "In terms of the world market, we are still the most expensive," a representative of the sector stated. For the time being, this liability has been pushed into the background because of the backlog of demand by numerous client industries, the favorable economic picture in most of the industrial countries and the exchange rate of the dollar. But the pressure to lower costs will soon become urgent once again.



The present boom in demand, which should hold during 1986 and which will hardly end abruptly thereafter, in view of the still considerable demand for modern manufacturing technology, is therefore very welcomed by the firms in this sector. It is urgent that they utilize increased profits in order to modernize their own plant, so that their technical advantage is not lost once again because of the burden of production costs.

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CSO: 3620/21

## STEEL INDUSTRY REPORTS UNEXPECTED GAINS OVER 1984 PRODUCTION

Duesseldorf HANDELSBLATT in German 13-14 Sep 85 p 13

[Article by tio: "Personnel Reduction Has Distinctly Slowed: 1985's Crude Steel Production Exceeds Industry Expectations"]

[Text] Duesseldorf 12 Sep 85. Crude steel production of nearly 41 million tons is expected for 1985 in the German steel industry. The chairman of the Iron and Steel Industry Association, Heinz Kriwet, estimates this year's raw steel production--rather cautiously--at noticeably above 40 million tons. In 1984, 39.4 million tons of crude steel were produced, so that the increase will amount to 4 percent. That is considerably more than was expected in the industry at the end of 1984 and the beginning of 1985. At that time, expectations for 1985 were for about the same production as in 1984.

As Kriwet, who is chairman of the board of Thyssen Steel Corporation, reported on the occasion of the publication of the subsidy report contracted for by the Industry Association from the Industrial Research Institute, personnel reductions at the biggest German steel corporation have distinctly slowed due to the improved economic conditions. Things look about the same at most other German steel companies. Restructuring plans, according to which another 12,000 jobs in the German steel industry were to have been abolished, have therefore not yet been carried out.

Although there have been drastic price increases in raw materials, further progress has also been made in the profit situation, which was already detectably improved in 1984. The higher steel prices since 1 April 1985 have contributed to this result, as have further successes in rationalization. Kriwet made it known that steel prices were not to be raised as of 1 October 1985, as had been feared by fabricators. Rather, a price rise as of 1 January 1986 is being considered. And in fact consumers should get prepared for a price rise as of the end of the year, although it is still not clear at this time how the recessionary forces, and therewith the formation of prices, will develop in the European Community. The EC Commission and the Ministerial Council have yet to make decisions regarding this. At this time, the steel price level for sheet products in Japan is 10 percent above that in the EC, and in the United States it is 30 to 35 percent above.

On 18 September the EC Commission in Brussels will present its suggestions for the steel Ministerial Council, which is to meet on 17 October. The basic

issue here is the award of further subsidies, of over 10 billion marks in fact, which have already been approved for the EC steel industry for 1985. To date, Federal Economic Minister Martin Bangemann, alone of the ministerial group, has refused to agree to subsidies, e.g., under the rubric of "shut-down aid." The Industry Association general director Ruprecht Vondran says of this, "No decision should be taken in the Ministerial Council that can cause more mischief beyond 1986." It is still not known, he points out, what has seeped into the 10-billion-mark package, that has been granted in addition to the already agreed upon 20 billion marks for 1985.

Vondran and Kriwet appealed once more to the federal government not to agree to additional steel aid, particularly since the linkage, i.e., provision of additional aid only upon corresponding capacity reduction, has not been abided by in other countries. Instead of closing around 10 million tons of capacity in return for the 10 billion in additional subsidies, as agreed, complains Vondran, only 2 million tons have been taken out of the marketplace.

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## STEEL INDUSTRY GROWTH FACES DECREASING MARKET, EC SUBSIDIES

Duesseldorf HANDELSBLATT in German 8-9 Nov 85 Sec B p 1

[Article by K. H. Herchenroeder: "To Put an End to the Detrimental Practice of Subsidies"]

[Text] German steel enterprises finally show a profit again and are registering satisfactory use of their capacities, but the painful process of restructuring and adapting to decreased sales markets is not yet completed. The German steel industry remains confronted by the danger that competition continues to be distorted, at its expense, by subsidies for the steel industries in other EC countries.

The Ifo Institute computed that, if steel subsidies are continued in the neighboring countries, the further cutback in capacity considered necessary by the EC steel industry will be undertaken in the FRG only, with a cutback of 20 million tons, and a loss of 68,000 jobs there. It is to be hoped that this will not happen. So far, German steel managers have dealt very well with the challenge of subsidized competition--which, however, made considerable losses in capacity and jobs unavoidable. Since 1974, the number of people employed in the German steel industry dropped from 223,000 to 153,000, or no less than 31 percent. The percentage drop of employment figures in the steel industries of other EC countries is even greater than in the FRG; in France, -47 percent, Belgium, -36 percent, Luxembourg, -48 percent, and Great Britain, -59.5 percent. But it must not be overlooked that the German steel industry had carried out considerable personnel reductions even before 1974. Its crude steel capacity was reduced by 20 million tons, or 30 percent, and its hot-rolling capacity by 9 million tons, or almost 20 percent. The shrinking process continues: it is expected that at least an additional 12,000 steelworkers will lose their job. At present, the number of people employed in German steel mills is not declining further, but this standstill will not last. One can not yet answer the question how long production can be kept at its present level of an annual rate of 41 million tons.

Investment by the German steel industry, which rose from DM 13.6 billion [sic] in 1983 to DM 1.09 billion in 1984, will continue to increase to DM 2.2 billion in 1985. But the new investment is not used for creating new capacities, as is happening in Italy, for example, but rather for efficiency measures and technical progress. Without doubt, government subsidy assistance also has induced the enterprises to carry out early investment projects originally planned for later years. The technical level of German steel mills is not half bad. Continuous casting now makes up 80 percent of steel production which, together with Japan, is world class. In the U.S. steel industry, the share of continuous casting is only 40 percent.

#### German Steel Mills in Leading Technical Position

The German steel industry might fall behind, however, in the competition for the best technical equipment if in the competing countries new, modern installations were to be financed by subsidies.

How much competition has become distorted even now through subsidies in other EC countries, which have added up to DM 100 billion, can be seen by breaking down the amounts of subsidies paid per employee in the years 1980 to 1985: in Italy, DM 53,000; in Belgium, DM 41,000; in France, DM 38,000; in Great Britain, DM 28,000. In the FRG, on the other hand, it is only DM 7,000 per employee in the steel industry, and without Arbed Saarlouis it is only DM 3,500--half of which is repayable as assistance to structural improvement.

During the first half of 1985, production by German steel mills was supported by strong foreign demand. Meanwhile, demand from abroad is declining, but is in part compensated for by additional domestic orders due to greater production of important steel-using industrial sectors. Import pressure remains strong. The share of steel imports of the inner-German market supply amounted to 38.8 percent during the first half of 1985 and shows a rising tendency. The share of steel imports from third countries reached 13.7 percent, also.

After several increases, steel prices are more or less profitable ; a further price increase, originally planned for 1 October 1985, was not carried out. But as of 1 January 1986, steel consumers must adjust to a further price hike by an average of DM 30/t.

The question has been answered to what extent the present EC crisis management for the steel industry--limited to the end of 1985--is to be continued: there are to be no more production quotas for concrete steel and coated sheet metals, and in general, minimum prices are to be replaced by guideline prices. The German steel industry reacts mostly with concern: the greater the danger of continued massive steel subsidies in neighboring countries, the more necessary it will be to retain the "corset" of production quotas to protect the non-subsidized German steel industry. It



is believed that production quotas could be eliminated only in the case of concrete steel.

The plan by the EC Commission to allow so-called "closing assistance" shows how great was the danger of continuing detrimental subsidies under a different label. This assistance is to be granted to pay off the social follow-up costs stemming from compensation for laid-off workers; to pay for commutation of delivery contracts; and make up for loss of marginal income, as well as cover the costs from razing shut-down installations and renewal of the industrial site. Reasonable arguments can be made for government settlement of social costs, but not so for the costs of razing and site renewal which can take years and could not be controlled, thus offering considerable opportunities for evasion. Happily, such an excessive subsidy regulation was avoided. According to the resolution of the EC Council of Ministers, only half the costs for dismissals, early pensions, and closing of mills may be covered by subsidies. But even this regulation may bring about subsidies in the billions.

#### High Investment Necessary for Environmental Protection

Environmental protection, also, is expensive for the steel industry, where even now DM 50 per ton of crude steel must be expended. Tightening of technical air control regulations might cost the steel industry an additional DM 3 billion in investments. Increases in electricity rates also have a strong effect. Every additional pfennig per Kilowatt hour costs the steel industry DM 200 million. On the other hand, the lower dollar exchange rate brings a certain relief. It has lowered the price of raw materials, since ore purchases by the mills are settled in dollars. Yet this also had a negative effect on profits from steel exports, also invoiced in dollars; in the end, however, the relief in raw material costs for the integrated steel mills is probably somewhat greater than the drop in profits in steel exports. The steel industry is satisfied with the extension of the steel mill agreement and its guarantee by the federal government. The steel companies are firmly convinced that in the case of buying German coking coal exclusively, there will no longer be any retention to balance the price difference between domestic and imported coal. They argue that steel enterprises engaged in international competition can no longer carry such an extra burden.

With regard to medium and long term prospects the German steel industry, like the steel industries of all other Western countries, will have to take into account the structural changes occurring in the world steel market. The prognoses of the International Iron and Steel Institute highlight these changes. A drop in crude steel requirements in the Western world can be expected, 14 million tons by 1990 and another 4 million by 1995, while it is expected that requirements in Latin America and Asia will rise during those two periods by 19 million tons and 14 million tons, respectively. This means that the share of Western countries in the global steel production will decline while that of the developing countries will continue to rise. Steel is being produced everywhere in the world today.

This makes it all the more important that industrial countries, and the FRG in particular, produce high-quality steel grades by using the most modern technical procedures. This challenge, also, will have to be faced by the German steel industry.

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CSO: 3620/127

## COUNTRY'S TIES TO INTERNATIONAL RESEARCH PROJECTS OUTLINED

Helsinki SUOMEN KUVALEHTI in Finnish 1 Nov 85 pp 45-47

[Article by Jukka Ukkola: "A Finnish Lad at Society Balls"]

[Text] Finland's bumbling entry into the Eureka project has roused a sporting spirit that has stubbornly swept the frost-covered ones into Europe's technological renaissance.

Eureka is, however, only one element in the race behind the Japanese and the Americans. Finland is at present waiting in line for three other joint projects.

Last summer the dismal news spread right down into the deep ranks of the Finnish people like when Lasse Viren stumbled and fell during the 10,000-meter race in Munich in 1972: We were not invited to the Eureka founding conference.

Not many people knew what this Eureka thing was, but it had to be something highly regarded since others were invited to attend, but not us. We were trampled underfoot, considered to be inferior to the Swedes. Why didn't our bosses do something?

Thanks to a popular uprising or some other thing, we Finns were finally invited to join Eureka and now here we are.

So where are we, director of the Technological Development Center (TEKES) Juhani Kuusi?

"On the tip of the iceberg, developing high-tech products through cooperation between firms."

## Technological Renaissance

The part of director Kuusi's iceberg that is under water refers to basic research and applied research. There is a great deal of this and in it our European connections are solid from way back.

The creation of Eureka was influenced by the fear that Europe is concentrating only on the subsurface research and that it will not attain the rate of production of the Americans and the Japanese at all.

"There is a great danger that Europe will fall off the wagon in its high-tech performance. In some things we are well up there, but others -- component technology, for example -- seem to be doing poorly."

So Eureka is a hunter, a pursuer, if not an utter avenger of lost treasure.

The initiators of the venture, the ever poetic French, talk of a "renaissance of European technology."

The cool-headed British say that Eureka is the "way forward," a project which the bureaucrats do not devour. Manufacturers together with their customers decide what to do.

At least not much of our own funds will go into Eureka; rather the firms will fund their projects themselves. Each of them can indeed seek support from its own country.

Juhani Kuusi describes Finland's objective as being such that Eureka would be like society balls at which partners (firms) seek one another out and form closer relationships to produce European high-tech products.

#### European Products for Sale

So sequels to these technology balls will primarily be conducted between firms. The more or less official proposals that have so far been made for the manufacture of different kinds of European products are indicative of their nature: a 64-megabyte supermemory bank, the Eurobot robot program, the Eurocom communications program, the Eurobio biotechnical program and the handling of traffic, mail, speech and images with the aid of computers.

Also under consideration is a "factory of the future" in which new materials, lasers, robots, microelectronics -- and man -- would be united. As for Eurohome, it will be a place where people will play with electronic games and other electronic equipment according to Europeans' means.

The Finnish idea is that it would not be a cumbersome system, but that they would produce rather small but superior products for certain gaps in the market.

So far, it has not been decided whether this hope will be realized or whether they will decide to transform it into a really big venture.

They may begin to throw light on the matter at the conference to be held in Hanover next week, at which something tangible should be achieved. "If we do not begin to get results, it will soon be best for us to buy the supermemory bank from Fujitsu," Kuusi predicted.

## Finland Pulled Itself Together

Kuusi is delighted with the stir that Eureka has produced. The sportlike enthusiasm over technology came at the right time and accelerated matters.

Finland got up from the fall it had taken like Lasse Viren did. Since it had gotten to Paris in July through the kitchen door to discuss along with the others the fact that something had to be done, as early as at the September conference in Bonn our country was the only one, aside from Austria, to present a 40-point list of what 30 Finnish firms had to offer European technological cooperation.

"There they at least at one stroke got off their tails and came to a decision. To us Finns this kind of cooperation means new connections, a basis for development and markets. If, for example, a firm has some technical specialty, it can be offered with the end product to be manufactured jointly."

## Ballast of History

In Kuusi's opinion, Finland's original stumbling about in connection with Eureka may have been due to the weight of history. Finland has gotten such a reputation in Europe for not joining in any ventures in which we would have to contribute something; we would rather just "pick the raisins out of the already baked coffee cake."

This reputation has among other reasons arisen due to the fact that Finland did not join the European Communities (EC) lumber program in 1982 even though it would have been accepted in it. It was not really the moment for the members to have funded it, nor was there an institution that could have handled contacts, nor was industry really enthused, nor did they really know anything about technological cooperation, nor was the program organized, nor....

"The matter comes up during discussions from time to time and it is vexatious," Kuusi said. "If we had been participating at that time, perhaps the invitation to join Eureka would have come without any further ado."

Up to now, according to Kuusi, Eureka has been a very generally quite unknown affair, even among experts.

To clarify things, he has made a sort of "wire model" of high-tech joint ventures that has produced enraptured ah-hahs everywhere it has circulated. Kuusi has shown his model to the government, among others, whose thankless task it is to decide on difficult matters.

## "Primitive Drive"

Once he has picked up speed, a Finnish lad need not in any way feel that he is a baggy-trousered bumpkin at Europe's society balls, because solid know-how pulses through his baggy pants.



"It might be some 'primitive drive' or whatever," Kuusi pondered. "In general we probably take things seriously. In the lumber industry too, we have always applied new methods and automated. We have other things besides logger romanticism. In new areas the level of our knowledge is high and we have no historical ballast."

So, in Kuusi's opinion, Finland is a partner in cooperation worthy of consideration which can be ranked with Sweden, for example. Nor has talk of the Japanese in Europe been completely unwarranted, although self-complacency is being eliminated.

"True, we are behind in some things but, on the other hand, in Finland there are surprising breakthroughs in quite unconventional fields like special chemicals in the pharmaceuticals industry, Mobira's radiophones and so on."

Kuusi would, however, like to improve the Finnish image in joint ventures. "People do these things no matter what sort of fine names they have. It is the strongest who accomplishes something at the head of projects."

#### Many Other Fronts

Eureka is also the tip of the iceberg in the sense that only it has produced a public stir, even though Finland is trying to join many other joint European ventures as well.

Finns have rather actively participated in, for example, the work of the European Center for Nuclear Research (CERN), although Finland is not a member of it as are, for example, Sweden, Norway and Denmark.

In order to enter into more official relations than before, in January a general agreement was concluded between CERN and the Finnish Academy.

Director Kuusi regards CERN as a good example of European scientific cooperation which has been able to remain at the level of the world's two superpowers in the costly field of nuclear research. During the 30 years of its existence CERN has invested 15 billion markkas in equipment, experiments and buildings. Annual operating expenses amount to almost 2 billion markkas.

Even more costly cooperation is exercised in the European space research organization, ESA [European Space Agency], whose annual budget is some 5 billion markkas. Expenses are divided according to participation in projects and proportional national product.

ESA too keeps Europe's flag on high alongside those of the United States, the Soviet Union and Japan. Finnish science and industry would have to give and to receive in cooperation with ESA. That is why Finland has proposed to ESA that they set in motion negotiations for its associate membership and last week ESA responded favorably to the marriage proposal. The Finnish Government is prepared to offer a dowry for the project.

The third front Finns are trying to join is EC research collaboration along with all its programs. Outsiders do not ordinarily have access to these programs, but Finland is negotiating a bilateral general research agreement which would make it possible for it to participate in several of the community's programs. Sweden and Switzerland are already in the final phase of similar negotiations and Norway is keeping pace with Finland.

The programs range from applied research to the limits of industrial production development, so that Eureka could to a certain degree function as an extension of them, even though the EC did accuse it of having overlapping functions. In general too, we still have to discuss the distribution of operations among all the cooperative organizations.

The common budget for the EC programs is about 5 billion markkas a year. The series includes among others raw material programs, the BRITE [Basic Research in Industry and Technology] program, a biotechnical program, an environmental protection program, the ESPRIT microelectronics program and the RACE [Research of Automatic Computation in Electronics] data communications program.

Regular research and development operations are conducted at complexes that are created by member-country research institutes and business firms and which themselves pay half of the funds set aside for the programs.

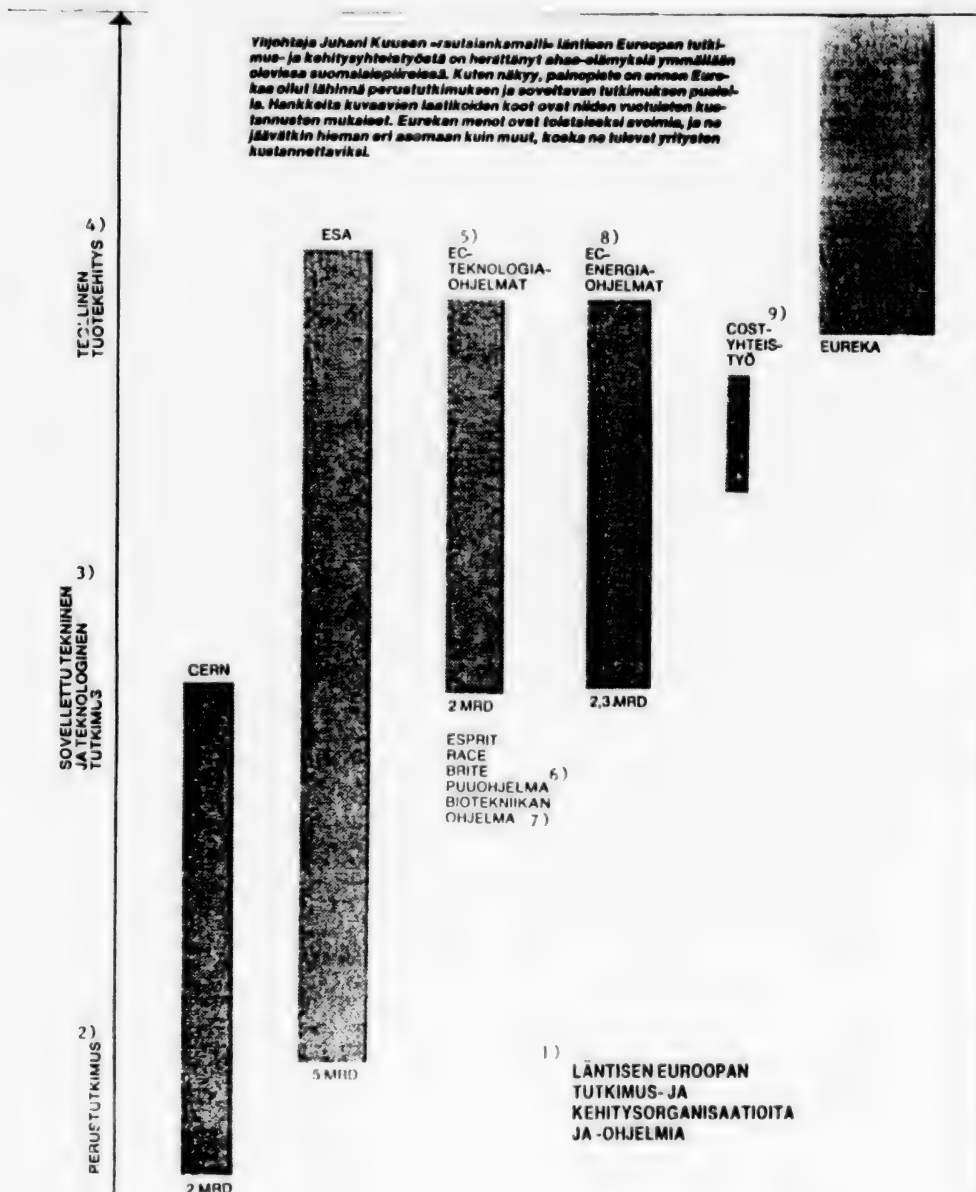
In most of the cooperative organizations membership fees are determined in accordance with national product percentages. CERN membership expenses would perhaps be about 40 million markkas a year and in the ESA 7 to start with, later from 25 to 30 million markkas a year.

The EC lumber program, which Finland did not join in 1982, would cost Finland about a third of a normal week's lotto prize winnings, 350,000 markkas, a year. After joining, Finland could propose projects for the program. If they are approved, 50-percent program funding will be appropriated for them. This being the case, it would be possible to get more money back than was invested.

#### Traditional Connections

Finland has already previously participated in the most broadly based but cheapest form of European cooperation, COST [European Cooperation in the Fields of Scientific and Technical Research]. There are altogether 19 members in COST.

COST promotes and coordinates close cooperation in practical applications. They maintain a secretariat with the club's membership fees. For other operations each participant procures funding from its home country. Finns have participated in a total of 21 COST projects.



Director Juhani Kuusi's "wire diagram" of the Western European R&D cooperation has caused "Ah-hah!"-experiences in some confused Finnish circles. It is apparent that prior to EUREKA the emphasis has been primarily on the side of the basic and applied research. The sizes of the boxes describing the projects are equal to their annual costs (in billions). The expenses for EUREKA are open for the time being and they will also remain in a slightly different position, since they will be paid by the enterprises.

#### Key:

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|--|--------------------------|
| 1. Western European R&D Organizations and Programs | 6. Wood Program          |
| 2. Basic Research                                  | 7. Biotechnology Program |
| 3. Applied Technical and Technological Research    | 8. EC-Energy Programs    |
| 4. Industrial Product Development                  | 9. COST-Cooperation      |
| 5. EC-Technology Programs                          |                          |

In the midst of all these cooperative ventures aimed at Europe, director Kuusi reminded us of Finland's most traditional connections with the other Nordic countries and the Soviet Union. He thinks, for example, that the scientific-technical cooperation engaged in with the Soviet Union will increase in step with the movement toward general internationalization. Cooperation with Japan is progressing right up to the project level.

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CSO: 3617/27

## RECESSION IN EASTERN TRADE FOREBODING SETBACK FOR 1987

Helsinki HELSINGIN SANOMAT in Finnish 14 Nov 85 p 33

[Article: "General Manager Pertti Sorsa: 'Recession in Eastern Trade Foreboding Serious Setback as Early as 1987'"]

[Text] Pertti Sorsa, general manager of the Department of National Economy of the Finance Ministry, warns of a serious economic setback in 1987 unless the disturbances threatening the eastern trade are not controlled. In Helsinki, on Wednesday Sorsa said that according to preliminary estimates our economic growth will remain at one percent in 1987, which has not been experienced since 1977.

According to General Manager Sorsa, the major dangers are associated with the downfall of the dollar and the decrease in the price of a barrel of oil. The ruble follows the dollar's rate of exchange. "There is too much surplus in the balance of eastern trade."

Also Helsinki's natural gas decision can be seen behind Sorsa's thinking.

"My personal opinion is that the energy package of the Ministry of Trade and Industry must be addressed immediately. The nuclear power plant should be purchased from the Soviet Union if the price is suitable and competitive," says Sorsa.

The reason for the situation of 1987 is not the recession of our western markets but mainly the automation of our bilateral eastern trade. According to Sorsa, the eastern export market can be saturated at that time.

"The lowering of raw material prices and the eventual decrease in the rate of exchange of the ruble are a problem for our export, and we may have to adjust our exports to a considerably lower level to balance our trade," Sorsa estimates.

There is no reason to change this year's growth estimate of 3.5-4 percent, since there is no "surprising and severe collapse in sight."

"Next year looks weaker and the outlook is clouded by the uncertainties associated with our own decisions," said Sorsa.



While, according to the budget estimates, the eastern exports will increase by six percent next year, it is possible, according to Sorsa, that there would be no growth at all.

According to Sorsa, investment activity has somewhat revived during the past few months and it would seem to remain rather lively until next spring.

As a whole, the level of investments will exceed the level of 1984 by about five percent, and even next year may be slightly on the positive side. Towards the end of next year, however, the investment activity threatens to take a downward swing.

The growth of consumption is also favorable. According to General Manager Sorsa, the purchasing power of households will increase this year by as much as nearly four percent and this year the consumption will increase by at least three percent. The growth is not likely to slow down considerably even next year.

"The biggest question mark of next year's price and cost development is obviously the end result of the winter's collective bargaining round. Otherwise, the price outlook is very quiet. In January-February the inflation rate will go down to 4-4.5 percent, " estimates Sorsa.

According to him, there is no particular reason to doubt that the inflation rate will settle at the maximum of four percent next year provided that the nominal income decisions remain within the budget limits.

According to Sorsa, retaining the current level of trade with the Soviet Union is important for many different sectors in the next few years.

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## VALMET AIMING AT WORLD DOMINANCE ON PAPER MACHINE MARKET

Helsinki HELSINGIN SANOMAT in Finnish 9 Nov 85 p 40

[Article by Jyrki Iivonen: "Valmet Seeking to Possess Beloit. Finnish Company Has Opportunity to Dominate the World's Paper Machine Market"]

[Text] State-owned Valmet is going to conquer the world's paper machine market all at once. The company is currently negotiating the acquisition of the American company Beloit.

Beloit Corporation is the world's largest manufacturer of paper machines. If the acquisition is made, Valmet's market share in the world will exceed 33 percent. Currently the company's share is 12.3 percent.

Valmet is preparing the acquisition in secrecy, and the company answers questions concerning the acquisition: "No comment." However, the company has told the Ministry of Trade and Industry that a project to this effect is being pursued.

Valmet explains its silence by saying that the project is still in its initial stages, so that publicity would be premature. Another risk is associated with the ownership of the company, since the rapid internationalization of state-owned companies has met with resentment in the cabinet. A few weeks ago, for example, Minister of Labor Urpo Leppänen insisted upon control over foreign acquisitions.

State-owned companies cannot afford impulse acquisitions any more. According to the instructions given by the Ministry of Trade and Industry, an acquisition must first be discussed with the Bank of Finland, the Finance Ministry and the Ministry of Trade and Industry. Then the issue can be introduced at the Economic-Policy Committee of Cabinet Ministers.

## Valmet Buying Market Share

The Ministry of Trade admits that the instructions would slow down the implementation of share purchases but, nevertheless, companies must adhere to the conditions. This is an effort to prevent state-owned enterprises from putting the Ministry of Trade in a take-it-or-leave-it position. The instructions are a result of the unexpected dealings of Neste and Kemira within the past few months.

In the eventual acquisition, Valmet, above all, would buy market share, for there is a lot of production capacity in the world. At this stage it is almost impossible to name the purchase price. According to a Finnish estimate, it would be close to half a billion markkas.

As a strategic move, the acquisition of Beloit would be excellent. In the United States the market share would rise to 54.5 percent.

In West Europe, Valmet is the market leader with 22.7 percent. The second is Germany's Voith with 19.1 and the third is Beloit with 16.3 percent.

If successful, Valmet's acquisition could bring work to Finland. There are tens of machines in Europe, sold by Beloit, in need of updating. It would easy to direct the machine overhaul to Valmet's Rautpohja plant, for example.

The acquisition would also benefit other Finnish metal factories. Valmet, Wartsila and Tampella have formed a TVM Group, in which they have divided the products so that Valmet manufactures the paper machines, Tampella the cardboard machines and Wartsila the post-treatment equipment. If the acquisition is made, Tampella would get Beloit's cardboard machines and Wartsila its post-treatment machinery. The post-treatment machines include rollers, longitudinal cutting machines, calenders and coating lines.

#### Merrill Lynch Will Manage

In early October Beloit announced that the company is for sale. The share purchase is managed by the investment banker Merrill Lynch. The bank aims at finding a buyer for the entire company. The other option is dividing the company.

Valmet's major competitor for the share acquisition is probably Japan's Mitsubishi Heavy Industries. It manufactures paper machines in Japan on Beloit's license. If the Japanese can get into the market with the help of Beloit, the competition will become really tough.

Beloit was established in 1858. It is an American enterprise owned by the Neese family. The company headquarters are located in the city of Beloit in Wisconsin.

The company's turnover is 1.5 million markkas and it employs 7000 people.

Beloit's main production plants are in the United States. The company also has subsidiaries in Canada, Italy and England. In Brazil, near Sao Paulo, it owns Beloit-Rauma Industrial Ltd, jointly with a local manufacturer and Rauma-Repola. One tenth of the shares are in Rauma's briefcase. Beloit, on the other hand, represents Rauma's cellulose machines in North America.

In the international competition Beloit's grasp has been weakening in the past few years. According to Valmet's men, it is due to the fact that the company has fallen asleep in the technological development. Another factor is the expensive dollar, which has favored European suppliers.

The Finns have had negative experiences with Beloit. The American company has made things difficult for Valmet with claims of dumping and patent violations. Valmet has won the suits, but nevertheless, they have interfered with the business.

#### No Second Chance

To Valmet's general manager, Matti Kankaanpaa, the acquisition of Beloit would be a unique opportunity which hardly will be repeated in his career. He has the opportunity to buy his worst competitor out of the market.

A point in favor of the acquisition is Kankaanpaa's background. He is a paper machine engineer with several patents in the field. He has designed machines at Wartsila and at Poyry. At Valmet he has been managing the Paper Machine Division.

Kankaanpaa is familiar with Beloit. He was employed by the company from 1957-1963. If he had not been chosen Valmet's general manager, he would have gone back to Beloit.

#### Nordic Countries Conquered

The Paper Machine Group is one of Valmet's best units. Its turnover is 1.5 billion markkas and the backlog is strong.

Within the past few years the Paper Machine Group has carefully guarded its interests. For as long as it can be remembered, domestic orders have not slipped abroad. The only setback in the nearby market was losing the bag paper machine order of Johannes paper and cellulose combination to Germany's Voith.

For the Paper Machine Group the acquisition of Beloit would not be the first step towards internationalization. Last year the company acquired Canadian Dominion Company. Its share of the U.S. market is 2.9 percent.

The turnover of the subsidiary is about 350 million markkas and the stock on order covers all of next year.

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## BRIEFS

UUSIKAUPUNKI AUTO PLANT EXPANDING--Saab clearly increasing its car production. Also expansion of Uusikaupunki discussed. Swedish Saab-Scania is planning an investment program of about 360 million kronor, i.e. nearly 260 million markkas, with the purpose of increasing the company's car production from the present 125 000 cars per year to 150 000 by 1988. However, Saab does not believe it can manufacture larger quantities than that in its three current plants. In the plans for the future, the company has considered building a completely new plant, possibly in southern Sweden or in Norway. One option is increasing the production at the Finnish assembly plant Saab-Valmet in Uusikaupunki. According to DAGENS INDUSTRI, a Swedish economic review, the decisions concerning the production increase are to be made next year. Financing will hardly present a problem, since, at the end of last year, Saab-Scania had an investment fund of 1.1 billion kronor, which the company can disestablish with the permission of the Government of Sweden. Saabs are currently made at three locations. The Trollhattan plant is clearly the largest while Arlov, making 20 000 Saab 900 models per year, is the smallest. According to Jouko Tukiainen, vice managing director of the Uusikaupunki plant, the plant's production is rising to 190 cars per day, equal to an annual rate of almost 42 000 cars. According to Tukiainen, the reason for the investment program is simply that the current production does not meet the demand. If necessary, considerable production increase is possible in Finland and Saab-Valmet has already made Saab-Scania an offer to this effect. However, DAGENS INDUSTRI considers building a completely new plant a likely alternative. The strongest candidates for its location are probably the Malmo area in southern Sweden as well as southern Norway. With additional investments, efforts are made to increase the production of the company's new flag car Saab 9000, above all. Saab believes it will become the leading make of its car industry by the end of this decade. The 9000 model is currently made only at Trollhattan. In Finland its production will be started next year, immediately after the summer vacations. Even before that, Uusikaupunki will start producing a convertible model, which is not manufactured at the other two Saab plants. [Text ] [Helsinki HELSINGIN SANOMAT in Finnish 16 Nov 86 p 40] 12956

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## USSR INTERESTED IN EEMSHAVEN AS BASE FOR FISHING FLEET

Rotterdam NRC HANDELSBLAD in Dutch 19 Oct 85 p 15

[Article: "Russian Fishing Fleet Wants Groningen Base"]

[Text] Delfzijl, 19 October--The Soviet Union is interested in Eemshaven as a home base for a fishing fleet that operates in the vicinity of the Canadian coast and Iceland. Up to now, the fleet has used harbors in Poland and the GDR as a home base, but the Russians are looking for a place closer to the fishing grounds.

The issue has already led to questions in Parliament. Mr H. van Rossum (SGP [Political Reformed Party]) wants to know from the government what exactly the background is of Russian interest. The member of Parliament is afraid that perhaps other interests (espionage) are playing a larger role in this than economic motives.

Delegate from Groningen B. Bos waves aside such concern. "You cannot engage in effective espionage from a ship. You do that with a satellite."

Bos, who represents the province on the Delfzijl Port Authority, recently travelled to Leningrad to sound the praises of his port facilities at a shipping exhibition there. He was successful, because the Northerners' booth was visited by a delegation that was weighty even by Russian standards. Bos: "It was led by the deputy minister of Fish Industry, and he is certainly no lightweight. Moreover, it was more than a courtesy call, because the Russians came with very directed questions from which it was clear that they really wanted to do business."

Conditions that the Russians put on a new base such as this are that it be accessible 365 days a year and that smooth connections be possible there. Eemshaven satisfies these conditions. The port is always on call, in part because of an advanced radar system. In addition, there is ample opportunity for linking up with international flight connections via the Eelde airfield. Furthermore, there is plenty of room in the now empty industrial area next to the port, and there are adequate shipbuilding facilities.

Bos: "It is still unclear what exactly the material significance will be for Eemshaven, should the deal with the Russians go through, but it is indeed

clear that it could become an enormous project. Not only for Eemshaven, but for all of inland Groningen. Their fleet in those waters appears to be enormous, and if those ships were to choose Eemshaven as a sally base, that would give the port a wonderful windfall. In addition, it would attract all sorts of extra activities in the realm of transshipment, storage and transport. As far as this is concerned, the facilities are present in Eemshaven, including the multi-purpose terminal."

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## STUDY CRITICIZES ENVIRONMENTAL POLICY, MAKES PROPOSALS

Vienna PROFIL in German 16 Sep 85 pp 20-23

[Article by Walter Schwarz: "Cheese with Holes"]

[Text] The claim that Austria is an environmental pioneer could be relegated to the realm of fable, according to a recent ecological study.

The findings are not exactly kind:

- "An analysis of declared intentions and important laws leads to an extremely critical assessment of Austrian environmental policy."

- "The environmental policy resembles a cheese with many holes. New shortcomings are constantly being discovered, many problems have not yet been correctly identified, each law offers a multitude of loopholes and exceptions."

- "Austrian environmental policy is by and large a fire department policy. When there is a fire somewhere, when a problem has become acute, everyone rushes forward with suggestions and apparently radical demands. In reality, a forward-looking policy exists only in very sketchy outline form... There is no environmental plan that looks beyond the current election period."

- "Usually, political courage is also lacking, which leads to half-hearted approaches without clearly defined goals. A reluctance to engage in conflict, social partnership solutions, caution and compromise characterize the situation."

- "The oft repeated statement that Austria is internationally a true environmental pioneer can certainly be relegated to the realm of fable."

This is written down in a still unpublished "Austrian white paper on the environmental situation, a book against false complacency and premature resignation" (authors' definition), which will soon be published by the Boehlau Verlag under the title "Eco-Insel Oesterreich?" [Eco-Island Austria?]. Some 200 pages long, factual, greenly provocative. The authors: Toni Kofler, political scientist at the Laxenburg Institute, and Oscar Stocker, business economist, presently active in the private sector. Co-authors: Christoph Chorgherr, political economist, son of the editor-in-chief of the "Presse"

Thomas Chorherr, Johannes Haas, biochemist, assistant at the Institute for Alternative Energy at the Technical University of Graz, Ulli Leuthner, sociologist, Michael Mayr, public relations.

The difficult conclusion reached by the team of authors: of ten important objectives in terms of environmental policy, on an international comparison Austria is twice among the leaders, three times in the mid range and five times among the lowest range. Pioneer accomplishments are being realized in the reduction of pollution caused by sulphur dioxide and in the reclaiming of Austria's lakes. According to the eco-study, Austria ranks in the mid range in terms of the reduction of air pollution as a whole, in the reduction of auto emissions, as well as just barely in the realm of the construction of environmentally sound waste disposal facilities. In all other areas (reduction of waster water pollution, construction of water treatment facilities, reduction of the total quantity of refuse, reduction of the dangers from environmental chemicals, increased protection of the natural landscape), the eco-authors accorded Austria free of charge the status of "international loser."

The authors attempt to assess the present situation, taking water pollution as an example. Not only high water consumption, the "sealing off" of natural landscapes (since 1945, 275,000 hectares of wetlands have been drained) and "modern" flood control projects are decisive--the pollution of the water by private households, industry and agriculture is assuming alarming proportions compared on an international scale.

Chlorinated hydrocarbons and heavy metals are ticking away like time-bombs. In Austria, legal limits do not even exist for pollution due to heavy metals. According to a recommendation by the World Health Organization, the upper limits for chromium in water should constitute at the most 50 micrograms per liter. In the Gurk River in Carinthia, chromium values of as high as 2,000 micrograms were found. "The polluted Austrian rivers can certainly hold their own along with negative examples found abroad. The pollution of the Gurk that is due to heavy metals surpasses in part even the Rhine, the chemical oxygen needs of the Lavant after it passes a paper mill is higher than in most German rivers. The most polluted river in Bavaria is the Salzach, the moment it enters German territory..." according to the study.

Despite investments amounting to billions of schillings, (the water management fund has up to the present spent over 65 billion schillings for the construction of canals and water treatment plants, the Federal Government has proposed a reclamation program amounting to 60 billion by 1994), efforts have not yet been successful in "decisively improving the condition of our waters." At present, around 50 percent of the waste water that pours out of domestic households is purified biologically. By way of comparison: this figure is 70 percent for Switzerland, 75 percent for Sweden.

In the treatment of communal waste water, Austria is in 13th place among the OECD states. "Despite the implementation of large-scale purification plants, we have only been able to stabilize the quality of Austrian waters," as even an official water management survey admits. The backlog in terms of the construction of water treatment plants is clear if one takes a look at the

example of Carinthia: only 16 percent of polluted waste waters are purified "in keeping with legal stipulations," 13 percent of the facilities are still under construction, 71 percent are still in the planning stages.

Given the strained financial situation, the eco-authors estimate that in the nation as a whole, it will still take 30 years for the necessary measures for the purification of waste water to be implemented. In their view, the government's ten year program for the purification of the rivers is simply "an illusion." For the near future, there are only two options: either to continue to muddle along, "which is inevitably tied to increasing costs and environmental hazards," or to develop a new, preventive strategy, "which must be a combination of economical and sparing consumption, of foregoing and fees for offenders."

Similar decisive measures are being suggested to cope with the problem of refuse. "The refuse problem," the authors write, "must be attacked at its very roots, instead of constantly looking for new technical solutions that only encourage a throw-away mentality and promise profits for certain firms. The solution can only be: restrictions, prohibitions, voluntary self-regulation in the case of the manufacturers and in general a new mentality of self-regulation, which also means concretely that the consumer must be prepared to go without. With the methods that have been employed until now, we will not be successful in bringing about an environmentally sound system of refuse management."

To be sure, seen in international terms, the Austrians are not (yet) the greatest producers of garbage with their 272 kg of waste per nose per year (in the FRG, per capita waste amounts to 340 kg), but in terms of the rate of increase, we are in third place among the 21 OECD countries. A close look shows where, in the view of the authors, the manure fork, as it were, could be applied: in the case of refuse produced by private households, the material used for packaging constitutes 32 percent of the total in terms of weight, and 52 percent in terms of volume. Almost one-third of this amount consists of beverage containers, most of which are disposable.

"Despite these clear indications, the percentage of disposable containers continues to increase, and environmentally responsible strategies for consumption and for packaging are nowhere on the horizon," according to the criticism levied by the book; serious efforts to avoid creating refuse are still in their infancy in Austria. Out of consideration for industry, no use is made of existing legal possibilities. It would be possible right now to implement a ban on PVC containers or to reduce the proportion of throw-away containers.

But in reality, the quantity of packing materials has increased in Austria alone, between 1979 and 1983, from 765,000 to 829,000 tons. In four years, there was an increase of 10 percent in the quantity of synthetic materials to 104,000 tons.

The eco-island researchers Kofler and Stocker: "In Austria, as yet no comprehensive eco-balance has been drawn for various types of packaging."



Since "symbol politics, attractive compromises and a few promotional schemes" are not able to bring about a true reversal in the trend of environmental policies, the eco-authors call for "more radicalism, so that the environmental problems can be attacked at their very roots." The following suggestions have been made, among others, as "effective environmental demands:"

- speed limit 80/100, 12 or 20 car-free Sundays a year;

- 50 percent of long distance freight haulage should be transferred to rail lines;

- fees should be levied for the production of waste water, emissions and high energy consumption;

- a prohibition on chlorinated hydrocarbons;

- taxes imposed on chemical fertilizers and pesticides;

- a prohibition on all types of food and beverage packaging that is made of PVC;

- a prohibition on the use of phosphates in laundry detergents;

- and: the introduction of a "general environmental tax" (with the exception of the lower income levels).

The authors call for raising some 350 billion schillings for environmental renewal within the framework of a ten year program. As in the detailed analysis, this is, to be sure, only given in global figures in the study. For example, the "environmental tax" should bring in 150 billion schillings right away and from unspecified "savings and budgetary reapportionments" a special discretionary environmental fund of 100 billion schillings is expected. Causation fees should bring in an additional 50 billion schillings, and environmental loans another 50 billion.

For example, the authors expect revenues of 6 billion schillings a year as a result of a "waste water fee" which is to be levied on all involved municipal and industrial organizations. As a visible deterrent, according to one suggestion, a model should be worked out for a "packaging tax." The fee should go into effect if within five years, a manufacturer has not undertaken agreed on, significant reductions in the quantity of packaging materials. According to the authors, this is "completely in keeping with basic principles of the market place and is the logical consequence of the causation principle... We would even go so far as to claim that restoration of the environment cannot succeed without a consistent application of a system of fees."

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